





## NEWS: EUROPE

## Serbs inject fresh doubts into Nato

Gillian Tett on the veneer of agreement over air strikes in Bosnia

NATO OFFICIALS were yesterday engaged in a feverish round of behind-the-scenes negotiations as ambassadors for the 16 alliance members met in Brussels to discuss the logistics of air strikes against Serbs in Bosnia.

But with the situation in Sarajevo confused following the partial withdrawal of Serb forces from Mount Bjelasnica, one of the strategic heights around the city, the Canadian, British and French delegations reiterated concerns that air strikes could endanger troops on the ground.

Another complicating factor emerged when it was revealed French troops had been deployed on Mt Igman, parts

of which are still occupied by Serb forces.

After a week of anxious diplomatic discussions, Nato officials yesterday said the alliance had broad agreement on the military structure for the threatened air strikes.

This is expected to place operations under the control of the UN, with authorisation coming from Mr Boutros Boutros Ghali, UN secretary-general.

The outline agreement represents an American concession to European concerns; Washington had earlier demanded that Nato be able to initiate air strikes.

Mr Jacques Blot, French ambassador to Nato, said yes-

terday that any action had to be in accordance with the UN resolutions and "that the first air strike must be authorised by the secretary-general".

Nevertheless, it emerged last night that another Nato meeting and further talks with the UN would probably be required before any strikes could be authorised.

Officials admit that divisions remain between Europe and the US about when strikes might be needed.

"Everyone says that air strikes should be used as a last resort. The problem lies in agreeing the last resort," said one Nato official.

Another official added: "What the US wants now is

not entirely clear to us. There have been different signals from Washington recently. But we will not go ahead with anything that endangers our troops."

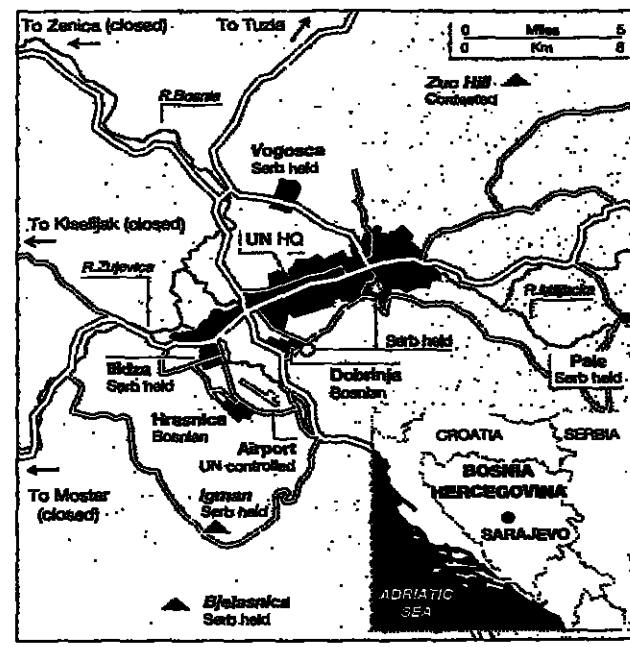
With French troops forming the bulk of the UN force in Sarajevo, the French delegation in Brussels stressed it would only agree to air strikes if they had the full support of UN commanders on the ground.

"We are not making war in Bosnia. This must be a clear signal for the Moslems. We are there for the humanitarian process," Mr Blot stressed.

Quentin Peel adds from Bonn: In a statement which

suggested more German caution about western military intervention than has been apparent in recent government pronouncements, Chancellor Helmut Kohl last night warned that any air strikes must take into account consequences for the civilian population.

He said any attempt to end the fighting in former Yugoslavia with military means would be a war with catastrophic consequences. Mr Kohl said his support, however, to President Bill Clinton's proposal for limited air strikes against specific military targets - provided they were backed by a decision of the UN Security Council.



## NEWS IN BRIEF

## US envoy shot in Georgia turmoil

A US DIPLOMAT has been shot dead in the strife-torn republic of Georgia, the first Western official to die in the political turmoil in the former Soviet Union, writes Leyla Boulton in Moscow.

Mr Fred Woodruff, a regional affairs officer, was hit in the forehead by a bullet as he was being driven by the security chief of the Georgian leader, Mr Eduard Shevardnadze. The attack took place 7km outside Tbilisi as they were returning from what [Iar-Tass news agency described as a sight-seeing trip.

"It must have been the work of professionals," one Western diplomat said.

Mr Shevardnadze, who has himself escaped unhurt from similar attacks, cited the killing as yet another argument for emergency powers he has been seeking since parliament, which he heads, forced out the government last week.

## Fresh moves on Ferruzzi

The new executives running Italy's heavily indebted Ferruzzi group may be planning fresh legal steps against their predecessor and members of the controlling Ferruzzi family, writes Haig Simonian in Milan.

The prospect of further action follows a stream of allegations in leaked documents which indicate former executives of Ferruzzi Finanziaria (Ferfin) and its big Montedison industrial offshoot operated an illicit system of parallel funding, based on bank loans to obscure Montedison subsidiaries. The money raised was allegedly used for various means, including covering up commodity trading losses and meeting the personal needs of Ferruzzi family members.

Ferfin's new board is meeting today to re-examine its financial position. Tomorrow Montedison's board will meet to consider further legal steps. Earlier this month the company won court approval to freeze up to L500bn (\$200bn) in assets from former executives.

## Italian mamas turn new leaf

The Italian "mama" - once a byword for big, bouncy, babies - has turned a new leaf, according to new population projections from the United Nations, writes Haig Simonian.

The average fertility rate of Italian women is expected to drop to 1.3 per head in the period 1990-1995, according to the UN's World Population Report. That puts Italy ahead of the rest of the world in terms of declining family sizes. Even mothers in other industrialised European countries, such as Germany, where childbirth has been steadily falling, are still having more babies than the Italians.

## Dutch bargemen back at work

Striking Dutch bargemen returned to work yesterday after a six-week stoppage, but said they may resume their actions in three months if a dispute over cargo allocation is not settled, writes Ronald van de Krol in Amsterdam.

The independent barge owner-operators have been blocking some river traffic and refusing to take cargoes since June to press their demands that "tourist" barges, a traditional cargo allocation system for shipments from the Netherlands to Belgium, be written into Dutch law.

Delors hopes for a Franco-German initiative

## Commission determined to hold line on Emu strategy

By Lionel Barber in Brussels

THE European Commission remains adamant. Despite siren calls from London and other Euro-sceptical quarters, EC officials insist there will be no fundamental shift in strategy in response to the de facto suspension of the exchange rate mechanism.

Mr Jacques Delors made clear during last Friday's special meeting of the European Commission that the EC must "tough out" the latest crisis - mainly by using the tools offered by the Maastricht treaty for reinforcing economic and monetary co-operation within the Community.

The Commission president is also reported to be pinning some hope on a Franco-German political initiative before the EC summit in Brussels in December. This would serve to show the rest of the Commu-

nity that the Franco-German alliance remains in good working order, but it would also demonstrate that European monetary union remains on track.

Recent comment in the British and US press about a permanent rift between the French and Germans in the run-up to the ERM crisis is dismissed inside the Commission as "wishful thinking". The official view is that Franco-German differences were not so serious as to overwhelm the European monetary system.

"The structures remain, even if [some of] the rules have changed," said one official. Mr Delors recognises, however, that the ERM crisis has created a vacuum in monetary co-operation. This explains the importance which he attaches to two separate reports which the Commission will publish before next January 1, starting-

point for Emu's second stage.

The first report will focus on the progress which the 12 member states have made on economic and monetary convergence; the second will set out the main political and economic guidelines for the Community, to be adopted by a qualified majority vote of the Twelve.

According to EC monetary officials, both these reports should be used to define the EC's future route to Emu as set out in Maastricht. The British proposal to revive the "hard Ecu" is likely to get short shrift in Brussels.

One option to convince the financial markets that the Community is serious about monetary union would be to narrow the ERM's newly widened fluctuation bands. These were fixed at 15 per cent nine days ago to halt speculation against the franc and weaker

ERM currencies; but EC officials note with satisfaction that Belgium, Luxembourg and Denmark are all seeking to return to the "narrow bands" rather than rushing towards lower interest rates.

Another favoured option is to strike a deal on the location of the European Monetary Institute, the precursor of the European central bank, which would supervise a putative single EC currency. Such a bargain would also include a "big name" to run the EMI, most likely a current EC central bank governor, but possibly an outsider.

The policy is characteristic of Mr Delors, a man who believes that a little pain is often necessary for true salvation. It is also reminiscent of a certain former British prime minister who declared, with similar conviction, that "there is no alternative".

## The Hard Ecu and All That: a Good Thing?

By Peter Marsh, Economics Correspondent

WHAT is the hard Ecu? It is an idea for a new, parallel European currency dreamed up by Britain in 1990 as its contribution to the debate over European monetary union. It was dropped after opposition from the rest of the EC which believed it to be a diversionary tactic aimed at camouflaging Britain's lack of interest in Emu. But with the Maastricht process thrown into disarray by the crisis in the exchange rate mechanism, the hard Ecu could come back on to the agenda.

Why would anyone want hard Ecus? They would bridge the gap between national currencies, such as the D-Mark and sterling, and a new single currency for Europe to be used in later. They would be used by business people, tourists and anyone buying and selling goods and services in different parts of Europe. Circulating in parallel with national currencies and freely convertible, hard Ecus would perform a function similar to Esperanto in languages.

Who is backing the hard Ecu? The Institute of Directors, a free-market UK pressure group, thinks it great news for businesses, especially small ones. The Treasury and prime minister's office are playing it cool. Mr Norman Lamont, the accident-prone former chancellor, is an enthusiastic backer - which may not do much for the currency's chances. More positively, supporters of the currency reckon Mr Edouard Balladur, who took over as French prime minister earlier this year, said nice things about it while in opposition.

What about critics? If the hard Ecu ever took off, banks would lose a fortune by the reduction in money-changing fees. So don't expect too many plaudits from them. The Bundesbank does not like the hard Ecu either. In its view, there is a strong, freely circulating currency that could be used across Europe - the D-Mark.

Who would issue hard Ecus? This could be a job for the European Monetary Institute, a souped-up committee of Euro-

pean central bank governors, which is due to be set up on January 1 in an as-yet undecided location. Under the Maastricht guidelines, the EMI is due eventually to become Europe's central bank, in charge of pan-European interest rates and a single currency. But what would happen to the Ecu already in existence? The existing Ecu (European currency unit) was invented in 1979 and is a purely artificial currency based on a "basket" or set weights of national currencies. At present the Ecu accounts for about 30 per cent of the Ecu and sterling 12. Although banks, big corporations and governments use Ecus for settling international transactions and for borrowing money, the currency has never caught on as a spending unit in the real world. Less than 1 per cent of EC trade is paid for using Ecus. You cannot use Ecus (worth 75.2p) in shops.

So how would hard Ecus differ from "basket" Ecus? The governments behind the hard Ecu would guarantee that it would never be devalued against the strongest national currency - essentially the D-Mark. They would use their foreign currency reserves and set interest rates to keep the hard Ecu strong. This is a completely different system to the one governing the basket Ecu - which no single body administers and whose value changes over time.

Why is Mr John Major, the prime minister, dusting off the hard Ecu flies? Reviving the proposals could help Britain maintain its a solid set of proposals to help in the aftermath of the ERM fiasco. By underlining the pragmatic nature of the proposal that is basically to do with helping business, Mr Major could steer a middle way between the warring factions of the Conservative party over Europe.

What happens now? Britain is expected to start detailed conversations with the rest of Europe over the hard Ecu in the autumn. Like the 1990s England soccer player Martin Peters, the hard Ecu could be a phenomenon ahead of its time, but which eventually is a hard act to beat.

## UK siren song fails to charm Brussels

By Lionel Barber in Brussels and John Riddling in Paris

THE UK's decision to revive proposals for a hard Ecu to trade alongside Europe's national currencies drew a cool response from the European Commission yesterday. Although there was no official reaction to the British idea, EC officials made clear that it would most likely meet the same kind of opposition from Brussels which helped to sink the plan during negotiations on the Maastricht treaty two years ago.

Despite the de facto suspension of the exchange rate mechanism, the Commission is not ready to consider a British proposal which would be tantamount to withdrawing the Maastricht timetable for European monetary union and going back to the drawing board.

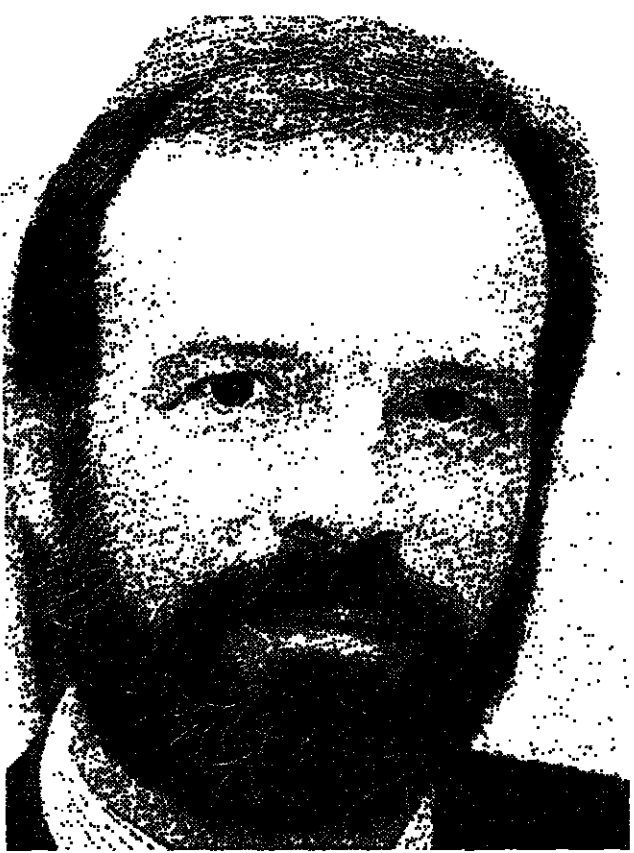
Monetary officials in France, which has previously been cool towards the proposal of a hard Ecu, declined to comment on the proposal. But they emphasised France's continuing commitment to the existing timetable for monetary union, despite the widening of fluctuation bands within the exchange rate mechanism.

A French finance ministry spokesman said the ERM would be able to return to narrow bands before very long and that convergence with Germany remained the objective of the French government.

Mr Edmond Alphandery, the economics minister, recently said that "the principle of the EMS has been maintained" and that France was preparing a convergence plan in line with the Maastricht treaty. He said the plan would be ready by the end of the month.

A Commission spokesman said British plans for the hard Ecu were still confined to news reports from London. Until Mr John Major's government submitted its proposals for improving economic co-operation in the EC, "we have absolutely no comment".

Other officials in Brussels suggested that Mr Major's revival of the hard Ecu was aimed primarily at filling the political and economic vacuum created by the recent ERM crisis.



Deutsche Bank's Walter: M3 "devalued"

## Bundesbank told it should drop reliance on M3

By Andrew Fisher in Frankfurt

THE BUNDESBANK has been criticised by the chief economist of Germany's largest commercial bank for relying on M3 had been growing at an annualised rate of around 7 per cent; these were above the levels desired by the Bundesbank, which had thus been reluctant to speed up interest rate cuts.

Mr Walter did not blame the Bundesbank's high interest rates for curbing European growth. "Inflation, unemployment and the budgetary strains resulting from these are mainly caused by erroneous economic and wage policies," he said. Instead of using German unification as an opportunity to set new economic priorities and dismantle state regulations Germany had transferred its complex system to east Germany.

Moreover, the inflation rate was overstated as a result of the many rises in indirect taxes. German inflation exceeded 4 per cent a year and M3 had been growing at an annualised rate of around 7 per cent; these were above the levels desired by the Bundesbank, which had thus been reluctant to speed up interest rate cuts.

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## Investors set to recharge E German energy sector

A total of DM46bn is waiting to be spent, mainly by the domestic utilities, writes Judy Dempsey in Berlin

THE way has been cleared for an investment programme totalling DM46bn (\$17.5bn) to upgrade the energy sector in eastern Germany and to privatise the region's utilities.

The investments, to be made by east Germany's principal utility, Veralte Energie, or Veag, and by west Germany's main utility companies, will follow agreement by the last of eastern Germany's 164 local councils to accept the Stromvertrag. The latter effectively created a monopoly over the generation and distribution of electricity in the east of the country.

However, its restrictive nature will make it extremely difficult for foreigners to invest in the region's utilities.

Veag, which operates the high voltage transmission network in eastern Germany, has earmarked DM25bn for modernising power generation plant fuelled by brown coal, or lignite. It will also link the eastern and western high voltage grid.

Germany's three largest utilities - RWE Energie, Bayernwerk, and PreussenElektra, a

100 per cent subsidiary of Veba, Germany's energy-based conglomerate - and Veba Kraftwerke Ruhr, also owned by Veba, plan to spend DM21bn on building or upgrading the east's power stations, to be fuelled mostly by lignite. Combined, the investments will give the region a total annual capacity of 12,300MW.

Few foreign investors have been able to obtain a foothold in eastern German utilities. Exceptions are Britain's PowerGen, and the Minneapolis-based NRG utility company, which together are negotiating to buy the giant Mibrag lignite mines and a stake in a power station at Schkopau, near Leipzig.

This is because the sector's future has been mapped out by the Stromvertrag agreed in August 1990 between Bonn, the last East German administration and the West German utilities. This not only creates an effective monopoly but also inhibits the Treuhänder privatisation agency from opening up the utilities sector to any competition. For example, under the Stromvertrag:

● Along with west Germany's five smaller utility companies, the Big Three have secured majority stakes of 51 per cent in eastern Germany's 15 regional distribution networks.

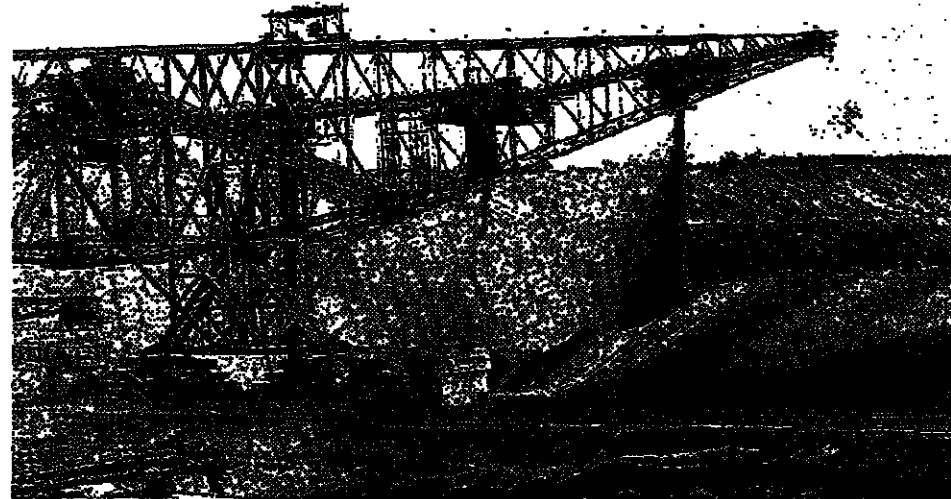
● East Germany's local councils are allowed to own only 49 per cent of the region's 15 utilities. The remaining 51 per cent is technically owned by west Germany's eight utilities. The east's regional utilities are also under the Treuhänder which is currently selling off the 51 per cent stakes. But again, the Stromvertrag does not permit a change in the ownership structure.

● East Germany's regional utilities must buy 70 per cent of their power from Veag over the next 20 years. The remaining 30 per cent of their needs can be generated locally.

For two years, several local councils challenged the Stromvertrag on the grounds that they had owned 100 per cent of public assets before they had been expropriated by the east German Communists in 1992. Essentially, the councils wanted access to the lucrative business of power generation. For their part, west Germany's utilities defended this structure on the grounds that their large investment in the east had to be underwritten by guaranteed energy sales.

Although Germany's constitutional court ruled against the councils, a compromise was reached last month giving them the right to their assets provided they sold their 49 per cent stake in the utilities. The money raised would allow them to build their own power plants, but they will first need a licence to do so.

There could be a chance for foreign investors to buy a share of these 49 per cent stakes, but Mr Winfried Mathes, from Deutsche Bank Research, is not optimistic. He said other local councils would have first option on them, followed by the eight west Ger-



A giant excavator at an east German lignite mine. Britain's PowerGen and NRG of the US are negotiating to buy mines in the region

man utilities.

"There is hardly any chance for foreign investors to get hold of these stakes," said Mr Mathes. However, they had the right to buy a share of, or co-operate with local councils in generating 30 per cent of local energy needs. They could also buy brown coal fields, later selling a stake in them to

a west German utility in return for access to distribution and the high voltage grid. The monopoly enjoyed by west German utilities in the east carries a high risk: energy consumption is still falling because the region's industry is still collapsing. According to a utility expert: "The Stromvertrag provides guaranteed elec-

tricity sales. But the massive investment plans could exceed demand if there is no new industry created. This worries domestic and foreign investors. Indeed, if no economic upturn is in sight, west German utilities might cut back their investment commitments in the region."

THE FINANCIAL TIMES  
Published by The Financial Times  
(Europe) GmbH, Nibelungenplatz 3,  
50115 Frankfurt am Main, Germany.  
Telephone: +49 69 150 150. Fax: +49  
69 150 4481. Telex: 416193. Represented  
by Edward Hugo, Managing Director.  
Printer: DVM Druck-Vertrieb und  
Marketing GmbH, Admiral-Rosenfeld-  
Strasse 3, 4720 Neuenkirchen (owned  
by Hürthier International).  
Responsible Editor: Richard Lambert,  
of The Financial Times Limited,  
Number One Southwark Bridge,  
London SE1 9PL, UK. Shareholders of  
the Financial Times (Europe) GmbH  
are: The Financial Times (Europe) Ltd,  
London and F.T. (Germany)  
Advertising Ltd, London. Shareholder  
of the above mentioned companies  
is: The Financial Times Limited,  
Number One Southwark Bridge,  
London SE1 9PL. The Company is  
incorporated under the laws of England  
and Wales. Chairman: D.C.M. Re.

FRANCE  
Publishing Director: J. Rolley, 168 Rue  
de Rivoli, F-75004 Paris Cedex 01.  
Telephone: (01) 4297-0621. Fax: (01)  
4297-0622. Printer: S.A. Nord Editeur  
1521 Rue de Caen, F-93100 Rosbais.  
Cedex 1. Editor: Richard Lambert.  
ISSN: ISSN 1148-2733. Commission  
Publishing No 67680.

DENMARK  
Financial Times (Scandinavia) Ltd,  
Vimmelskæft 42A, DK-1161  
Copenhagen K. Telephone: 33 13 44 41,  
Fax: 33 93 53 33.



As Japan's coalition takes office FT writers assess the likely policy changes

## Ailing economy poised to trigger spending package

By Robert Thomson in Tokyo

JAPAN will consider introducing another spending package later this year to stimulate its ailing economy, but there is no need for an immediate reduction in official interest rates, Mr Hirohisa Fujii, the new finance minister, said yesterday.

Within hours of taking his post in the cabinet unveiled by Prime Minister Morihiro Hosokawa, Mr Fujii was forced to correct a suggestion he had made early in the day that the new government would not increase the country's controversial 3 per cent value-added tax.

He later said the government was not considering an increase in the tax to fund another stimulatory spending package this year, but insisted that an increase might be necessary in the longer term as part of a restructuring of the taxation system.

Mr Fujii, 61, is confronted by an economy that appears to have hit the second of the double-dips in its downturn, prompting business leaders yesterday to remind the coal-

ition to keep an eye on growth as well as on its stated priority of political reform.

The appointment of Mr Fujii has at least reassured finance ministry bureaucrats, who feared the new government

### Finance

might be tempted to spend its way out of economic trouble. Mr Fujii is a former official of the ministry's budget bureau, and insisted yesterday that the government would not issue deficit-covering bonds to increase its scope for spending in a budget under preparation for the year beginning next April.

The finance ministry has already warned other ministries that spending will increase by no more than 3 per cent and Mr Fujii appeared to support that low ceiling, even though the coalition has talked of increasing social welfare spending and foreign aid contributions.

Mr Fujii graduated from Tokyo university in 1955 and after his stint at the finance

ministry was elected to parliament in 1977. He is one of the ex-LDP officials who make up the core of the new cabinet, having left the party this year to join the Japan Renewal Party.

In his first press conference yesterday he handled questions deftly, but later found that his answer on the value-added tax appeared to close off all options for an increase, so he issued a statement to clarify the government's position.

The coalition partners are obviously in favour of growth, but Mr Fujii will find that he must tread warily in discussing tax policy, as the Social Democratic party, formerly the Japan Socialist party, would prefer the value-added tax to be scrapped.

Asked whether the official discount rate should be cut from the present 2.5 per cent, Mr Fujii said there was no need for an immediate reduction, although he did not intend to tell the Bank of Japan how to handle interest rate policy.

Ms Manase Kubota, the new director-general of the eco-

nomics planning agency (EPA), will be responsible, along with Mr Fujii, for guiding policy. She is also aware of the influence of Japan's bureaucrats, having worked at the labour ministry before entering politics.

The EPA has been persistently optimistic in the face of signs that personal consumption is falling sharply and Japanese companies are in for a fourth year of declining profits. While private institutions forecast growth this year at around 1.5 per cent, the agency has set a target of 3.3 per cent.

Ms Kubota, 63, a member of the SDP, said yesterday the economy was still digesting a ¥13,200bn (\$84.6bn) stimulatory package announced in April, and this spending should be completed before the government began planning another package. The government has been condemned for pumping money into public works projects, without addressing the fall in personal consumption and corporate capital spending.

Ms Kubota indicated that more attention should be paid to the needs of consumers.



Fujii: must tread warily in discussing tax policy

## Rabin rules out direct PLO talks

By Julian Ozzane in Tunis and Reuter in Jerusalem

ISRAEL'S government yesterday ruled out direct talks with the Tunis-based Palestine Liberation Organisation and said it would keep negotiating with a Palestinian peace delegation from the occupied territories.

Prime Minister Yitzhak Rabin's comments followed a threat to resign by three top members of the locally-based Palestinian delegation and speculation that Israel might agree to direct talks with the PLO because it appeared to be taking a more moderate stand.

The three negotiators - Mr Faisal Husseini, Mrs Hanan Ashrawi and Mr Saeb Erekat - were last night locked in negotiations with senior PLO officials including Mr Yasser Arafat, the organisation's leader.

Mrs Hanan Ashrawi, the Palestinian spokeswoman, continued to refuse to deny or confirm resignation reports, fuelling speculation that the

Palestinians from the occupied territories were using the threat of resignation as a way of increasing pressure on the PLO leaders. Mr Haidar Abdel-Shafi, head of the Palestinian negotiating team, was due to arrive in Tunis from Amman to join the talks.

"It is a Palestinian problem," Mr Rabin said. "It is not our business what is the composition of the Palestinian delegation as long as it is composed of residents of the territories."

Mr Shimon Peres, foreign minister, when asked whether Israel should negotiate directly with the PLO, said: "Everything has its time. This question too has its time and it is not now. At this stage, there is a delegation we can negotiate with." Mr Rabin's government, which has already ended a ban on private contacts with the PLO, has faced a growing clamour from the left wing of his Labour party and the Meretz party within his coalition to agree to talks with Mr Arafat.

## IMF yet to agree Pakistan package

By Farhan Bokhari in Islamabad

AN International Monetary Fund delegation left Pakistan last night without reaching agreement with the interim government on economic measures which would be backed by IMF loans.

Mr Saeed Qureshi, secretary general of the finance ministry, said there were "no major ticklish issues left". But he conceded that details on revenue collection and control of government spending needed to be finalised.

The caretaker prime minister, Mr Moeen Qureshi, is expected to announce economic reforms on Saturday which will include steps to increase revenues and reduce expenditure to cut the country's large budget deficit.

Among measures being considered is a larger wealth tax on rich landowners, whose political influence has enabled them to escape heavy taxation.

The government may also seek to merge up to 21 federal ministries into other ministries.

The government hopes that the measures will secure the IMF's agreement to provide \$1.2bn of loans. Mr Mohammad El-Erian, the IMF mission leader, will brief colleagues in Washington before a recommendation is sent to the fund's board. Mr Qazi Aleemullah, Pakistan's finance secretary, said there was a "more than 80 per cent chance" of agreement.

Pakistan expects \$1bn from a combination of the IMF's Extended Structural Facility and Extended Structural Adjustment Facility over three years. The government is also seeking up to \$200m as a Structural Adjustment Facility to meet short-term balance of payment needs, of which the first tranche could be made available in September. Ratification of the longer-term package would await the arrival of a new government after October elections.

## Hata: the lone elder statesman

By Gordon Cramb in Tokyo

AS THE only member of Japan's new ministerial line-up who has previously held a cabinet post, Mr Tsutomu Hata qualifies automatically as its elder statesman. While this befits the role of foreign minister which he yesterday assumed, it suggests that his voice will also be influential on economic, trade and other matters.

Mr Hata, aged 57, leader of the Japan Renewal party which precipitated the general election by splitting from the long-ruling Liberal Democratic party in June, was finance minister from November 1991 until last December. There he presided over a ¥10,700bn (\$67,721.5bn) government spending programme aimed at mitigating the effects of economic slowdown.

In the mid-1990s he had held the agriculture portfolio - he represents a farming constituency in central Japan which has returned him nine times as an MP - as the markets for beef and oranges were being prised open to foreign producers. He provoked vexed amusement in Washington by maintaining that a difference in Japanese intestines made US beef more difficult to digest.

If that comment was itself

hard to swallow, Mr Hata's break with the LDP shows that he has the stomach for a fight. He could have had the foreign ministry in April, when party bosses offered him the job in the hope that he might not defect. Four months on it is his anyway, along with the deputy premiership in a coalition charged with performing surgery on the country's political entrails.

### Foreign affairs

The inward-looking nature of the coalition's agenda, as well as differences among its seven constituent parties on key aspects of foreign policy, will make it difficult for him to pursue the heightened role in diplomacy which the country has in recent years been seeking. In an indication that Mr Hata's prime policy thrust may be regional rather than global, he said Japan should seek a reconciliation with its Asian neighbours over the wartime activities of its imperial forces.

He added that Japan needed to move towards normalising relations with North Korea. The statement came partly as a sop to the Social Democratic Party, the largest coalition member and the most

left-wing, which has traditionally backed Pyongyang.

But the overtone also follows post-cold war shifts in east Asian diplomacy which last year allowed Beijing, North Korea's long-time backer, to establish formal ties with Seoul. The Sino-Japanese relationship will be among the trickiest amid nervousness in Tokyo at evidence that China is modernising its military hardware and staking claim to strategic outposts.

Relations with Moscow meanwhile remain enmeshed in the future of the Kurile Islands at Japan's northern tip, occupied by the Soviet Union at the end of the second world war. Mr Hata's attention will have been drawn to this yesterday by a raucous demonstration mounted outside the foreign ministry by far-right groups demanding the return of the islands to Japan. Inside, bureaucrats continued to prepare for a twice-postponed visit to Tokyo by Russian President Boris Yeltsin, which may now take place later this year.

A United Nations General Assembly session which convenes late next month will help show to what extent Mr Hata will press the case, mounted under the LDP, for greater recognition of Japan's world stature - in particular,

for a permanent seat on the Security Council.

SDP opposition to the deployment of Japanese troops abroad in UN peacekeeping missions could cause snags, but he will have an ally in Mr Keisuke Nakanishi, appointed director general of the country's defence agency. Mr Nakanishi, 52, is from Mr Hata's JRP and worked behind the scenes to bring the coalition together.

Around the time of the UN gathering Mr Hata is expected to accompany Mr Hosokawa to Washington for a summit with President Bill Clinton, and the two visitors can expect the views of his administration on Japan's need to curb its trade surplus and further open its markets to be driven home.

The European Community may have to wait its turn to preach a similar lesson, as Mr Hata yesterday stressed the core nature of the US-Japanese relationship. Although the foreign ministry is often more liberal on trade than other government departments, first indications were that he will at least be a receptive listener. He acknowledged that "lopsided" trade hurt relations with the US and said deregulation must proceed "even if this inflicts a stab of pain on companies at home".

### Trade and Agriculture

## Kumagai likely to follow the LDP policy line

By Emiko Terazono in Tokyo

CONCERN among Japanese bureaucrats that inexperienced politicians would take the lead in trade policy was alleviated yesterday by the appointment of the Japan Renewal Party's Mr Hiroshi Kumagai as the minister for International Trade and Industry, and Mr Eijiro Hata, also of the JRP, as agricultural minister.

Mr Kumagai, 53, is an advocate of deregulation and decentralisation, and has been critical of the cohesion among politicians, bureaucrats and businesses. He is also known as the right hand man of Mr Ichiro Ozawa, co-leader of the JRP, and has nurtured international links during his stint at Harvard University.

He is known for his outspokenness and is famous for openly criticising Mr Kiichi Miyazawa, former prime minister, for his economic policy. However, as a former trade bureaucrat and ex-Liberal Democratic Party member, Mr Kumagai is likely to inherit the policies of the LDP and produce few surprises.

He yesterday reiterated the line of the Miti mandarins on numerical targets for the country's imports. He said managed trade would counter Japan's direction of deregulation and market liberalisation.

Instead it was Mr Tsutomu Hata, the new foreign minister, who shed some light on the new government's direction on trade. He expressed the need for Japan to take "tough and painful" decisions to open its markets to avert the consequences of trade friction with the US. "Not only the government, but private industries and the people must see that it is not good for Japan to be sole winner," he said.

Mr Hata suggested that Japan would take a tougher stance on trade, as he said an impression that Japan is being bullied into concessions by the US would create "extremely dangerous" feelings on both sides. For those who had hoped Mr Hosokawa's rise to



Kumagai: few surprises

the Uruguay Round of multilateral trade talks.

Mr Eijiro Hata said he would respect the ban on rice imports. While Mr Hata, aged 64, has had close links to the post and telecommunications ministry, and has been involved in the privatisation of Nippon Telegraph and Telephone, his background lies in a rural area in southern Japan.

Mr Kumagai yesterday repeatedly stressed the importance of the successful completion of the Uruguay Round. Officials at Miti claim that there will be a more international focus on policies. However, to lead his former colleagues at the trade ministry to a new openness, while fighting off pressure from Japan's western peers, Mr Kumagai will need to be more than Mr Ozawa's right hand man.

## HK re-opens inquiry into explosion

HONG KONG'S attorney general has relaunched an inquiry into the explosion which killed two people at a Hong Kong power plant owned by China Light and Power (CLP) and Exxon, following accusations that the companies withheld information from the original investigation, writes Simon Davies in Hong Kong.

The companies are currently facing a US\$125m (\$33.8m) Texas court action by their former legal representative, Mr Michael Ford, who claims that he was dismissed during the original inquiry after he discovered that vital evidence was being back. CLP has stated that Mr Ford's accusations are "unfounded and wholly without merit" and has obtained an injunction in Hong Kong to prevent him from releasing information obtained during his employment by the group. However, allegations in a court petition in Alice, Texas, had put Mr Jeremy Mathews, Hong Kong's attorney general, under pressure to re-open the investigation. He yesterday issued a letter to the coroner, instructing him to act as though the initial inquiry had never been concluded.

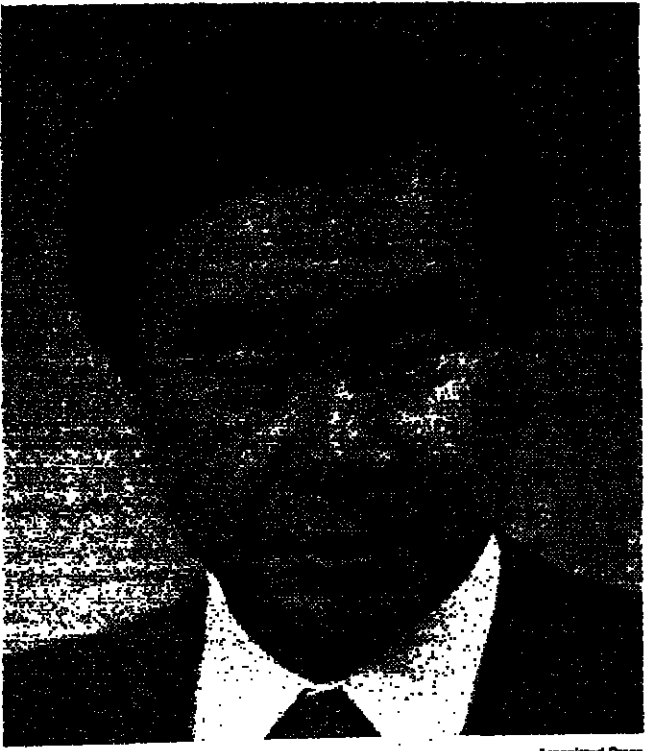
## Action on Taiwan officials

TAIWAN'S highest watchdog body yesterday impeached 15 officials of two state-run companies for alleged involvement in a multi-million dollar construction scandal, its spokesman said. Reuter reports from Taipei.

The Control Yuan approved motions to impeach five current and former officials of the state-run Tang Eng Iron Works, including company president Andrew Yen, for allegedly inflating by US\$1.2m the value of a contract to build a waste water treatment system for Chinese Petroleum, the spokesman said. The project was awarded in 1991 to Brown and Root International, the US construction company, which subcontracted it to Tang Eng and other groups.

Ten current and former Chinese Petroleum officials were also impeached, including former president Kuan Yung-shih, now chairman of the state-run China Petrochemical Development, the spokesman said.

The Committee on the Discipline of Public Functionaries will decide what action to take against the 15, he said.



Hata's prime policy thrust may be regional rather than global

THE NEW JAPANESE CABINET				
Position	Name	Age	Party	
Prime minister	Morihiro Hosokawa	55	JNP	
Deputy PM and foreign	Tsutomu Hata	57	JRP	
Justice	Akira Mikazuki	72	-	
Finance	Hirohisa Fujii	61	JRP	
Education	Ryoko Akamatsu	63	-	
Health and welfare	Keigo Ouchi	63	DSP	
Agriculture, forestry and fisheries	Eijiro Hata	64	JRP	
International trade and industry (MITI)	Hiroshi Kumagai	53	JRP	
Transport	Shigeru Ito	65	SDP	
Posts and telecomm	Takemori Kanazaki	50	Komeito	
Labour	Chikara Sakaguchi	59	Komeito	
Construction	Kozo Igarashi	67	SDP	
Home affairs	Kanji Sato	51	SDP	
Chief cabinet secretary	Masayoshi Takemura	58	NHP	
Management and co-ordination	Koshiro Ishida	62	Komeito	
National Land Agency	Kosuke Uehara	60	SDP	
Defence Agency	Katsuko Nakamichi	52	JRP	
Economic planning	Marne Kubota	68	SDP	
Science and technology	Setsuo Edo	52	USDP	
Environment	Wakako Hiratsuka	59	Komeito	
Political reform	Sadao Yamahana	57	SDP	

SDP Social Democratic Party, JNP Japan New Party, JRP Japan Renewal Party, DSP Democratic Socialist Party, NHP New Harbinger Party, USDP United Social Democratic Party, \* not affiliated

## Kenya's quest for credibility meets a sceptical eye

MR Micah Cheserem, Kenya's new central bank governor, sought recently to reassure an international Monetary Fund team in Nairobi of the government's zeal in trying to stamp out financial corruption. His assurances met with scepticism.

Kenya has some way to go to win credibility with its donors, even after the past turbulent weeks in which two local banks were closed and the Central Bank's two most senior employees sacked.

Mr Musalia Mudavadi, the finance minister, ordered the closure last month of the Exchange Bank and the Pan African Bank - known as the "political banks" for their ties to influential politicians - after external audits, carried out at the insistence of the IMF, revealed serious financial malpractice.

Western donors are unconvinced by attempts to end corruption, writes Leslie Crawford

Exchange Bank is alleged to have defrauded the Central Bank of millions of dollars by claiming export rebates on fictitious shipments of gold and diamond jewellery.

In addition, the Central Bank is owed \$166m by the two closed banks and a third institution under investigation, Delphis Bank, according to an internal Central Bank memo leaked to the local press. The three local banks acquired high-yielding treasury bills with unsecured cash advances from the Central Bank. There is no evidence that the money has been repaid.

"Bank overdrafts to financial institutions are leading to massive inflation, the need to devalue the currency, instability in the macro-

economic scene," Mr Edward Jaycox, the World Bank's vice-president for Africa, said recently. "This deters investment, it also raises questions about the management of the economy which are more long-standing."

Such squandering of public money is embarrassing to a government that is trying to win back foreign aid suspended in November 1991. Kenya is now more than \$500m (\$399m) in arrears to institutions and creditor governments on its debt service obligations.

President Daniel arap Moi is under pressure from the World Bank, which has told the president privately that Kenya has one last chance to clean up its economic

management. The country's largest donor will pull out of the country if it fails to do so, it said.

While there is some confidence among western bankers in Mr Mudavadi's determination to root out corruption, many Kenyans believe that the powerful men behind the President have a different agenda. They believe Exchange Bank and Pan African Bank were sacrificed because they had already exhausted their usefulness. Few believe the "intensive investigations" promised by the finance minister will result in arrests, prosecutions or convictions.

"Why was [former Central Bank governor Eric] Kotut given another public sinecure?" asks Mr Peter

Waturere, managing editor of the weekly Economic Review. "His forced resignation was a cosmetic measure. I don't think it reflects well on the government's commitment to cleaning up corruption."

Another banker says: "What we are seeing now is a lot of transparency with no accountability."

Not a day goes by without newspapers or opposition members of parliament denouncing new scams or documenting evidence of graft within at the heart of government.

"Western agencies and donors," the Daily Nation said in an editorial, "will not be disposed to rush in and restart full aid support when [a banking] scandal of these proportions remains not just unresolved

but fundamentally unaddressed." Some donors worry that the two top positions at the Central Bank are now being held by men with no experience in banking or central bank management.

Others however, say they are encouraged that at least some reform has taken place in the past four months. Special waivers in the Banking Act, which allowed the "political banks" to function with impunity, have been scrapped. Import licenses have been abolished. Exporters are now allowed to keep foreign earnings in retention accounts, which has in turn reduced the practice of under-invoicing.

But many problems remain. The

country's annual audit of its public accounts, published last month, is a sorry catalogue of the government's inefficiency and mismanagement. As well as the Exchange Bank scandal, it documents the use of National Social Security Funds to buy houses from a private developer at inflated prices; irregularities in the Health Ministry's public tendering for drugs; and millions of dollars and sterling paid by the Office of the Vice-President to overseas companies for the procurement of equipment that was never received.

Mr Jaycox's appeal to Kenya last month appeared final: "We want Kenya to run its economy," he said. "We don't want to have to come out to Kenya every few months and look over everybody's shoulder to check the books."



## NEWS: THE AMERICAS

## Clinton risks westerners' ire over grazing

By George Graham in Washington

THE CLINTON administration is again risking the ire of senators from the west of the US with the release of fresh proposals for improving the management of federal range land in the west. The package includes a sharp increase in the fees charged to ranchers for grazing their livestock on government lands.

Mr Bruce Babbitt, interior secretary, said the proposed new rules, expected to take effect next year, were aimed to improve the condition of the landscape in 260m federally owned acres in the west, particularly on fragile river and lake banks.

President Bill Clinton originally planned to increase grazing fees and mining royalties on federal lands as part of his budget package, but agreed to remove the measures from it under pressure from western senators, who fight hard for ranchers.

The grazing fee increase will now come about through an administrative rule, rather than through legislation. Mr Babbitt promised to tackle the mining issue in September.

The ranchers' victory has

proved short-lived but the damage it did to Mr Clinton's presidency persists. The concession signalled to other members of Congress that Mr Clinton could be pressed, and led to the dismemberment of his budget package, which passed Congress last week in a much altered form.

Mr Babbitt has proposed a phased increase in grazing fees, over the next three years, to \$1.28 per animal unit month (based on the acreage needed to feed a cow and her calf or five sheep for a month).

This would bring in some \$80m from the 170m acres run by the Bureau of Land Management, and another \$40m from the 94m acres of grazing allotments run by the Forest Service.

The secretary said the increase in grazing fees would enable ranchers to continue to make a living off public lands.

Grazing fees on federal lands were cut under President Ronald Reagan from \$2.36 per animal unit month in 1980 to \$1.35 in 1985-87, before rising again to \$1.86 this year. Over the same period, average lease rates for grazing on private lands have climbed steadily, from \$7.53 per animal unit month to \$10.03.

## Chilean right picks candidate

By David Pilling in Santiago

THE DIVIDED right-wing opposition in Chile has nominated Mr Arturo Alessandri as its candidate for the presidential elections in December. In a desperate attempt to present a united front to the electorate.

Mr Alessandri, nephew of one president and grandson of another, emerged as a compromise candidate during the convention on Sunday of the Union for Chilean Progress, an electoral pact of five centre-right parties.

There were scuffles at the convention when it became clear that Mr Manuel Feliu, leader of the main opposition party, Renovación Nacional, was not going to win.

Mr Alessandri, an independent, faces what he acknowledged was an uphill battle in trying to defeat the current presidential front-runner, Mr Eduardo Frei, candidate of the governing centre-left coalition, Concertación. Mr Frei, himself the son of a former president of Chile, holds what seems to be an unassailable lead in opinion polls.

Promising to fight the campaign on the issue of law and order, Mr Alessandri said: "If the election were held tomorrow, I have no doubt that Frei would win. But be careful - the election is not until next December 11."

Others in the right-wing camp set more modest goals. "The right cannot win the presidential election," said Mr Francisco Javier Cuadra, a minister during the military regime which stepped down in 1990. "The role of the presidential candidate is to permit the right-wing parties to gain a strong Congressional vote."

Chile will also hold Congressional elections on December 11. The opposition holds more than a third of the seats in Congress, enough to block important constitutional amendments. Its semblance of unity should enable it to retain that Congressional influence, effectively limiting the next president's authority.



## Canada's Liberals turn up the heat

The ruling Tories look vulnerable, but it is early days yet, writes Bernard Simon

IF contributions to political party coffers are a guide, Canada's business community is preparing for a change in government later this year.

A list of donors to political parties published last month shows that donations to the Liberal party, which has been in opposition since September 1984, jumped by 11.5 per cent last year to \$37.6m (\$3.95m), with almost half coming from business donors. By contrast, contributions to the ruling Progressive Conservative Party slipped by 4 per cent.

The Liberals' improved financial fortunes mirror a perception in political circles that the Tories face an uphill battle to win a third consecutive mandate in the next election, which is expected in late September or October.

Before the Tories swept into office in 1984, the Liberals had been in government for 42 of the previous 50 years. But for most of the past nine years, they have been plagued by internal dissension and weak leadership. Liberals hold 79 of the 285 seats in the House of Commons. Even now, opinion polls show that while the Liberals are ahead overall, Mr Kim Campbell, who took over as Tory leader and prime minister in mid-June, is far more

popular than the Liberal leader, Mr Jean Chrétien. Ms Campbell has begun an effort to shake off the legacy of her unpopular predecessor, Mr Brian Mulroney. Her performance at the Group of Seven industrial nations' summit in Tokyo last month made a good impression at home.

Since then, her advisers have persuaded members of the Senate, the upper house of Parliament, to reverse an increase in their expense allowances. Ms Campbell was expected yesterday to propose tighter rules for parliamentarians' pensions, and a shake-up in the pervasive (but unpopular) system of political patronage.

Ms Campbell indicated last weekend that she plans a number of other policy initiatives before setting an election date. According to one senior adviser, the Campbell-led Tories will further try to distance themselves from the

Mulroney era by unveiling an adjustment assistance programme for companies and workers hurt by the free-trade pact which Mr Mulroney negotiated with the US in 1989. Despite these Tory initiatives, the Liberals' mood is more upbeat than it has been in years. The Liberals are well ahead in the polls. And the party believes Ms Campbell will not be unable to shake off the impression that, in the words of one Liberal MP, she is "Mulroney in a skirt".

The party will lose no opportunity in the coming campaign to remind voters that, under Tory rule, Canada has suffered a deep recession and massive job losses. They will argue that privatisation and free trade have brought more costs than benefits. Moves by both Mr Mulroney and Ms Campbell to reform the generous social

to co-ordinate domestic trade liberalisation.

The federal and provincial governments have set a target of June 30, 1994, for a "single-market" agreement. Most observers expect, at best, limited results by then. The Canadian Manufacturers' Association has identified about 500 provincial trade barriers, including government procurement preferences, product standards, marketing boards and curbs on labour mobility.

security system will be cited as evidence that the Conservatives are squeezing public spending with little concern for "ordinary" Canadians.

The main issue is to tie Campbell to her predecessor's record, says a Liberal pollster. While Ms Campbell is promising to eliminate the \$350m-a-year federal budget deficit within five years, Mr Chrétien is aiming to cut it to only 3 per cent of gross domestic product, from 5.2 per cent last year. Meanwhile, the Liberals are the most likely beneficiaries of recent developments among smaller political parties. Support for the left-leaning New Democratic Party, which has 43 seats in parliament, has withered, mainly as a result of the unpopularity of NDP provincial governments in Ontario and British Columbia.

Disaffected NDP voters are more likely to shift their loyalties to the Liberals than

## Toll in Caracas storm tops 100

By Joseph Mann in Caracas

VENEZUELAN firemen and civil defence crews were yesterday pulling bodies out of the wreckage of shanty towns ringed Caracas after tropical storm Bret hit at the weekend. The storm killed more than 100 people in the capital, according to preliminary reports yesterday. Hundreds have been injured and thousands left homeless. Yesterday, residents were clearing up after the rains (picture left).

Most of the damage occurred in the Caracas metropolitan area, where heavy rains on Sunday morning battered shanty dwellings perched on the city's many hills, causing mudslides

and burying people alive.

The total number of victims was still in doubt yesterday and the government had not issued official figures. Caracas newspapers estimated fatalities nationwide could top 300.

The US National Weather Service said yesterday that Bret, which was breaking up as it moved off the Colombian coast, could gain strength before moving over Central America.

The government of President Ramón José Velásquez has declared a state of national mourning. Despite a big fiscal deficit, officials are looking for ways to release funds for emergency relief.

## Midwest floods recede faster than expected

WATER levels are dropping dramatically in some areas along the swollen Mississippi River, but there is still enough pressure on water-logged levees to keep flood-weary residents on edge. AP reports from St Louis.

The river at St Louis had fallen 1.3 feet in 24 hours to 43.6 feet by yesterday morning, said Mr Lou Chiodini of the Army Corps of Engineers. That is down from the record crest of 49.4 feet on August 1.

The Mississippi had been forecast to drop below flood stage, which is 30 feet at St

Louis, by late August or early September.

High water pressure remains on the levees that have held back the river for weeks. "You can breathe a certain sigh of relief but it's not a time to stop being vigilant," Mr Chiodini said.

The National Weather Service said much of the Midwest would be without rain for the next few days, raising hopes that the levees will survive as the water recedes.

"It's looking better," a weather service spokesman said.

## US and Mexico may thrash out separate deal on Nafta issues

By Nancy Dunne in Washington

CANADA'S trade minister, Mr Thomas Hockin, yesterday prepared to leave Washington, where talks between US and Mexico were still under way on the North American Free Trade Agreement.

His departure, to attend a cabinet meeting in Ottawa, fueled speculation that the US and Mexico were negotiating separate deals in the current talks over environment, labour, import surges and financing of a US-Mexico border clean-up.

Officials of the US, Mexico and Canada issued a statement that press reports of separate deals over the weekend were "inaccurate, misleading and false".

Canada has been a firm opponent of a US proposal to create a strong enforcement mechanism if any of the three

governments fail to enforce their labour or environmental laws. Mexico has backed a proposal to use the levying of fines for enforcement, but this has been vetoed by key Democrats in the US Congress.

At the very least, the US and Mexico are expected to agree to some combination of fines and tariff "snapbacks" in the event of "persistent, systematic and unjustifiable" non-enforcement of environmental laws.

In Congress, there is concern that fighting over Nafta has "turned intensely ugly." US corporations, hostile to labour and environmental enforcement, are believed to be supplying Mexico with proposals to bring to the bargaining table.

Ms Lori Wallach, a lawyer of Public Citizen, a citizens' group opposed to Nafta, predicted there would be "teeth" in the final agreement over sanctions to enforce labour and

environmental agreements, as the Clinton Administration has often promised, but "the teeth will be in the large intestine" at the end of "a long, twisted, tortuous" dispute twisted process.

Mr Mickey Kantor, US Trade Representative, has made little progress in satisfying Ms Wallach and other opponents of the pact. Disputes between the US and Mexico over the environment can drag on for years, critics say, because there are no precise deadlines for investigations and settlement as there are for settlement of commercial disputes.

Environmentalists also complain that although the side agreement deals with environmental protection, conservation issues - such as the controversy over drift net fishing - are not included. Labour leaders say they get even less from the side agreements.

## Belfast group in China deal

THE Alexander Group, a Belfast-based industrial manufacturing and supply company, has announced details of three contracts with the Chinese coal industry, worth about \$4.5m (£1.6m). Mr World Trade Staff writes.

The company, which has established trading divisions in China, Australia and Indonesia, negotiated the deals with the Chinese government. It will provide equipment for coal mines in Inner Mongolia as well as Shanxi and Guangdong provinces.

Most of the work will involve supplying a high-output mobile coal screener in Guangdong province.

The group has also been contracted to supply and install a large coal sizer in Inner Mongolia. The machinery is designed to reduce the size of coal for power station fuel.

Mr Robin Alexander, chairman, said the company had been "working hard to win such contracts with the Chinese government".

## OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially-supported export credits for August 15 to September 14 (July 15 to August 14 in brackets).

D-Mark	7.18 (7.39)
Ecw	7.52 (7.72)
French franc	7.06 (7.73)
Guider	
up to 5 years	6.90 (7.15)
5 to 8.5 years	7.20 (7.33)
more than 8.5 years	7.85 (7.85)
Italian lire	10.30 (11.14)
Yen	4.80 (5.20)
Peseta	10.90 (11.34)
Sterling	7.80 (8.10)
Swiss franc	5.59 (5.99)
US dollar for credits	
up to 5 years	5.43 (5.53)
5 to 8.5 years	6.09 (6.22)
more than 8.5 years	6.48 (6.61)

These rates are published monthly by the Financial Times, normally at the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when loans are for periods of more than 120 days. OECD-based rates of interest are the same for all currencies but must be used only for the OECD-designated countries. Between January 15 and July 14, the 5.20, 5.59 and 5.43 per cent, the 5.20-based rate was changed to 5.13 and 5.14 per cent. It will be subject to change on January 15 1994.

## US, Japan 'dominate in Pacific'

ASIA-PACIFIC trade issues will be dominated by the US and Japan, with other countries likely to be pawns in the struggle between the region's two economic superpowers, delegates said yesterday at the Indonesia, Asia-Pacific and the New World Order conference on the Indonesian island of Bali, reports William Keeling at Nusa Dua, Bali.

Dr Fred Bergsten, director of the Institute for International Economics in the US, said Washington showed "strong support" for the Asian Pacific Economic Community (Apec), which groups the US, Japan and most east Asian nations.

But he backed the US government in accusing Japan of establishing "very pervasive impediments to a lot of its markets. The global effect of Japan's market access problems... undercuts the prospects of maintaining an open

trading system," Dr Bergsten warned.

In response, Japanese delegates criticised US insistence that Tokyo provide foreign companies a minimum market share in sectors such as that of semiconductors. "It's a very dangerous situation where American regulators judge products to be competitive," noted Mr Kazuo Nakazawa, managing director of the Japan Federation of Economic Organisations.

Other Asian delegates viewed US support of Apec as an attempt to enlist Asian support in Washington's trade campaign against Tokyo. While remaining sceptical of US intentions, however, they noted any improvement in market access to Japan would benefit other east Asian countries.

Most delegates backed the informal meeting of Apec heads of state proposed by President Bill Clinton for Seattle in September. But they argued strongly

against the organisation, which established its secretariat in Singapore this year, lacking any supra-national powers. Delegates said it was premature for Asia-Pacific to be viewed as an homogeneous economic region.

These divisions, however, have done little to calm the European Community's fears that Apec could emerge as a protectionist regional trade bloc. "An Asia-Pacific preferential area would look like an American trade bloc aimed at the [European] Community," said Mr Jim Rollo, director of the Royal Institute of International Affairs in the UK. Some delegates argued that regional trade associations could provide the catalyst for freer international trade, but the history of the EC showed that, despite the best intentions, large regional trade groupings could drift toward protectionism, Mr Rollo said.

## Indonesia's power scramble

William Keeling on the battle for market share in the energy sector

COMPANIES supplying Indonesia's fast growing electric power sector have entered a fierce battle for market share. At stake is investment in the power sector, which the World Bank estimates will total \$33bn in the current decade.

The country's most recent contracts have been for contracts for three gas-fired power stations in Java worth about \$1.5bn, to be built by mid-1995. Indonesia's Government wants to double the grid's capacity in that time to about 20,000MW. It hopes that one-third of future investment in the national grid will come from the private sector.

The timetable for new capacity, however, has been upset by slow negotiations for the large Palton plant in East Java, which would launch a programme of privately built, owned and operated stations.

Palton's first 1,200MW stage, worth \$2bn, had been due for completion in 1995 but is now unlikely to begin operating before 1998. Already faced with a substantial backlog of customer connections, PLN, the state-owned power company, faces an acute power shortage. Last month, the Government announced negotiations with Mitsubishi and Sumitomo of Japan, and Asa Brown Boveri (ABB) of Germany, for three gas-fired power stations on Java - to be owned and operated by PLN - made up of open cycle (solely gas-fired) and

combined cycle (gas-fired and steam-driven) units.

ABB and Mitsubishi will build two 800MW plants at Mayor Tawar, West Java and Pasuruan, East Java respectively. Sumitomo will construct a 500MW plant at either Tambak Lorok or Cilacap in Central Java.

PLN says the three stations are being contracted on a repeat-order basis in recognition of the three companies' proven track record in Indonesia. But the decision not to widen negotiations to other manufacturers has provoked squabbling among the foreign companies seeking contracts.

Last month (July), parliamentarians requested the contracts be reviewed after GEC-Alsthom, the Anglo-French power equipment company, made a cut-price bid to offer to supply the new stations' open cycle units.

"Every time there is a new contract the government says it is a repeat-order. When will the other manufacturers get a chance? It's about time other suppliers came in to ensure more competitive pricing."

NUOVO Pignone, the Italian engineering company owned by the state-sector Eni energy and chemicals group, has won a turnkey order for a 360MW electricity generating plant, reports Haig Simonian in Milan.

The order, placed by Malaysia's Tenaga Nasional Berhad, is worth more than £200m (£25m).



says an official close to GEC-Alsthom. He argues the companies which win contracts for gas-fired plants are operating a cartel, keeping in close contact when negotiating projects with the Government and lobbying to exclude others.

Members of the alleged cartel point out that GEC-Alsthom participated and lost in an open tender for two earlier gas-fired stations, the 1,500MW plant at Gresik in East Java and the 1,100MW plant at Tanjung Priok in Jakarta.

In May, PLN sought government approval for the three stations. PLN said the compa-

nies - ABB and Mitsubishi - had offered the open cycle units at \$6m per megawatt.

In early June, GEC-Alsthom wrote to President Suharto offering the open cycle units at \$5m per megawatt and with an earlier delivery date. The presidential office initially welcomed the proposal but the company has since been told by the Ministry of Mines and Energy that its offer will not be considered.

Government officials say negotiating directly with ABB, Mitsubishi and Sumitomo is the safest way of ensuring the looming power crisis is avoided. The three companies are already constructing gas-powered plants in Java.

While items such as land clearance, associated infrastructure and design specifications could account for some increase in project costs, industry observers are concerned the government is not always getting value for money.

The fault may not lie with PLN negotiators who have been overstretched by the sudden demand for new capacity. To use an open tender process for the new gas-fired plants would require at least a dozen proposals to be analysed.

Industry observers say, however, that ministers should reconsider a policy which favours companies already entrenched in Indonesia and which blocks other manufacturers wishing to supply the sector.



THE Treuhand agency charged with restructuring and privatising east German industry is using countertrade and joint ventures to stimulate exports between east German enterprises and former Soviet republics.

Prior to June 1990 trade between the former Soviet Union and east Germany totalled DM50bn (\$15bn). But monetary union in Germany virtually destroyed the east's trade with Russia and the countries of eastern Europe.

In an attempt to tap the export potential of some east German companies which once had close links with the Soviet

Union, the Treuhand has set up a team to find markets.

Mr Hero Brahm, vice-chairman of the Treuhand, says: "Under normal conditions it would be the company's task to find export possibilities. But because of the situation in eastern Germany, we are trying to support east German companies in finding... creative solutions which have export possibilities, irrespective of financial problems."

Mr Brahm hopes the former Soviet republics will be able to buy east German products worth DM1m in the short term, while in the long term barter deals could amount to DM1bn. The barter deals carry a high risk partly because of the acute shortage of hard currency in the former Soviet republics and the vulnerability of the east German economy. "These creative solutions cannot go on

forever. They are temporary. But we have to support companies if we believe they can survive," Mr Brahm says.

Officials at Hermes, Germany's export credit insurance agency, yesterday said there was little point in backing countertrade if, after six months, an east German company faced liquidation. "Dealing with Russia entails a high risk," said Mr Hans Janus, a Hermes official.

Last weekend's decision by the federal economics ministry to cut off all Hermes support to Russia, because of delays in outstanding interest payments of DM500m, confirms this view. It may also affect the fledgling revival of barter between east Germany and Russia.

Last year, the agency imposed a ceiling of DM50m on credit guarantees, but gave priority to east German exporters.



# Leading through Strength in R&D

*In support its core activities in 'Electronics and Energy', Toshiba Corporation has expanded into vast array of fields—information and communication systems and electronic devices to heavy electrical apparatus, and consumer products.*

*In each of the areas Toshiba has targeted, the secret behind the company's success, believes company president Fumio Sato, is the high priority placed on research and development.*

By Russell McCulloch



Mr. Fumio Sato, President and Chief Executive Officer, Toshiba Corporation

## Technologies—A Driving Force for Corporate Growth

**McCulloch:** *We are all looking forward to a recovery in the world economy. What do you think is the most important factor for Toshiba's continued corporate growth?*

**Sato:** Kisaburo Yamaguchi, a former president of Toshiba, once said that a manufacturer without R&D facilities is like an insect without antennae. Strong technological capabilities provide the basis, the driving force, for corporate growth. This means that the ability to create innovative products is a key factor determining corporate strength in this severe business climate.

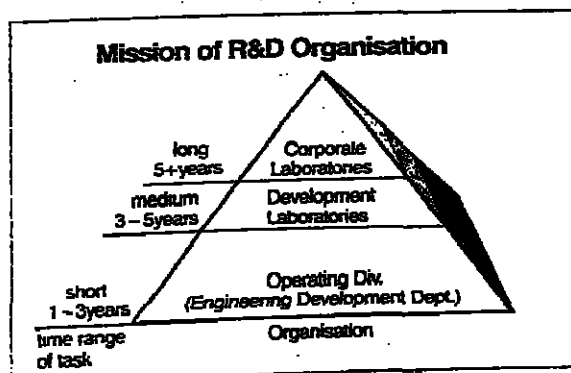
R&D also plays an important part in our "Three G" policy, covering Growth, Group and Global. To achieve growth, we have to direct our resources to facilitate expansion in promising areas. Our group policy is geared to enhancing group R&D, and so strengthen the overall capabilities of Toshiba Group. Our global target is continued promotion of globalisation, including expansion of overseas R&D and production. Here, we are also pursuing greater localisation in the management of our overseas subsidiaries, and realising our policies for competition, cooperation and complementarity through global alliances with major international companies.

## Three-tier R&D Structure

**McCulloch:** *How is Toshiba's R&D organised?*

**Sato:** Our business interests are very diverse, ranging from information and communication systems and electronic devices to heavy electrical apparatus and consumer products. We see our field as "Electronics and Energy", from which we have derived the Toshiba slogan "E&E". We carry out research in the wide variety of technologies required to support "E&E".

Our R&D is organised in a three-tier hierarchy, with laboratories at each level carrying out different assignments. In the first-tier, the laboratories at our corporate Research and Development Centre conduct research from a long-range perspective of more than five years. That is, working on basic technologies that might be utilised in products in five or more years from now. The second-tier development laboratories belong to our different business groups. They are oriented to practical application of the technologies developed in the corporate labs, and are looking at commercialisation of new products within a three to five year time span. Final commercialisation, in under three years, is carried out by the engineering departments in each operating division.



**McCulloch:** *It sounds as if the corporate laboratories are pushing forward essential research. Can you tell me more about their structure?*

**Sato:** Well, in October last year we completed a major restructuring of corporate research and development. What we wanted to achieve was a further refinement of our capabilities. We wanted to break down barriers, promote inter-disciplinary activities and

quicken our responses to fast-changing trends. We now have eight laboratories that make up the R&D Centre. They are Advanced Research, Materials & Devices Research, Communication & Information Systems Research, Energy & Mechanical Research, ULSI Research, Systems & Software Engineering, Environmental Engineering, and the Kansai Research Labs., which are responsible for R&D in information and communication technologies. Each of these is free to carry out their own projects. There is one more organisation I should mention. The Manufacturing Engineering Research Centre is responsible for developing production technologies used throughout the company. These are essential for reliable mass production of precision equipment.

**McCulloch:** *What about numbers? How many engineers work in R&D?*

**Sato:** Quite many. One of the reasons why so many Toshiba products enjoy worldwide recognition is because they incorporate the skills of our engineers and researchers, who number about 45 per cent of Toshiba Corporation's 75,000 employees. Researchers alone account for around 20 per cent of all employees. About 60 per cent of these work in the engineering departments, with the others equally divided among the R&D Centre and the development labs.

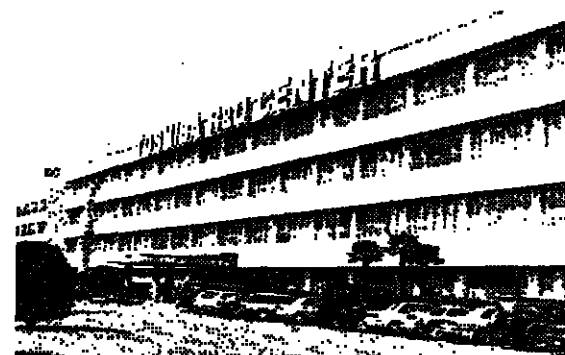
**McCulloch:** *You have an extensive R&D structure in Japan. What about overseas?*

**Sato:** We have four important overseas facilities. In January 1991, we set up the Toshiba Cambridge Research Centre in the UK to carry out basic research in semiconductor physics. Europe has taken the initiative in research in this field. In the US, our Advanced TV Technology Centre, established in May 1990, is working on new TV technologies, including High Definition TV. We also have US R&D facilities for software for information and communications systems and medical equipment.

## Working towards a Synergy in Operations—Multimedia Business

**McCulloch:** *Nowadays, we hear a lot about integrating technologies from different fields and about the impact multimedia will have. How is Toshiba responding to this trend?*

**Sato:** Multimedia has become a buzzword



in the computer and consumer product industries. My understanding of the concept is that there are many different media that can carry and present information: video, text, visual images, sound. When they are handled as analog data—the way most media are still configured today—then each medium has its own analog form. That means different kinds of information can't be handled together, in the same way or within the same framework. Now we are seeing a "digital revolution" that will be more or less complete by the beginning of the next century. As with computers, all information sources will be fused in digitalised data and we will be able to process it in one, unified framework. Digitisation removes the differences between media, fusing them into the framework of multimedia. Consequently, more effective use of information will be realised and we expect our creativity to be dramatically enhanced.

**McCulloch:** *So, multimedia means a fusion of the information, communications, audio and visual imaging equipment fields?*

**Sato:** That is right. And that is why I believe Toshiba is one of the companies best positioned to realise the full potential of multimedia. As a comprehensive electronics maker, we are working towards a synergy in the wide range of products and services we cover in our operations. Electronic components, image compression, image filing and battery technologies are indispensable to multimedia. Toshiba has already made major advances in all these areas.

**McCulloch:** *Can you give me some details?*

**Sato:** As I am sure you know, we play a leading role in the world semiconductor market. We have also pioneered the research, development and commercialisation of liquid

crystal displays (LCDs). In image compression, we are working to establish a world standard for a compression format which can send and record images without deterioration. Toshiba is a major player in CD-ROM and optical disks, products that have a central role to play in large volume data storage. In batteries, a joint venture with Asahi Chemical Industry to develop and manufacture lithium-ion rechargeable batteries has just started operation. These are next-generation batteries that are small and light-weight. With Apple Computer of the US, Toshiba is working on CD-ROM based personal multimedia players.

Our efforts are not only tied to hardware. Our limited partnership with Time Warner gives us access to an extensive software library.

## Directing Resources for Progress towards the 21st Century

**McCulloch:** *My understanding so far is that Toshiba has an extensive R&D operation and is active in a wide range of technologies. Turning to the long-term, which business areas will you focus on for the 21st century?*

**Sato:** We are great believers in the benefits of a highly advanced information society, and we are making every effort to support its realisation. We are investing our resources in information and communication systems, particularly in the areas of broadband communications, high-speed information processing and digital technologies.

Our electronic components business is one that will continue to be central to growth. As one of the world's leading IC manufacturers, we will maintain our competitiveness in the market by providing further high value added products. To take one example, we are working on the process technology for a future generation of 256 megabit DRAMs in a joint development with IBM and Siemens. We are also very active in promoting flash memory technology, through alliances with major companies. This is a very exciting product with a lot of potential, including the eventual replacement of hard disk drives. We are cooperating with IBM Japan in another key area, large-size colour LCD.

In the energy business, we are focusing on fuel cells and combined cycle power generation, which enhances heat efficiency by combining conventional thermal power generation with a gas turbine. These efforts allow us to play an active role in tackling conservation of limited resources and supporting environmental protection.

## "E&E" Supports the 21st Century

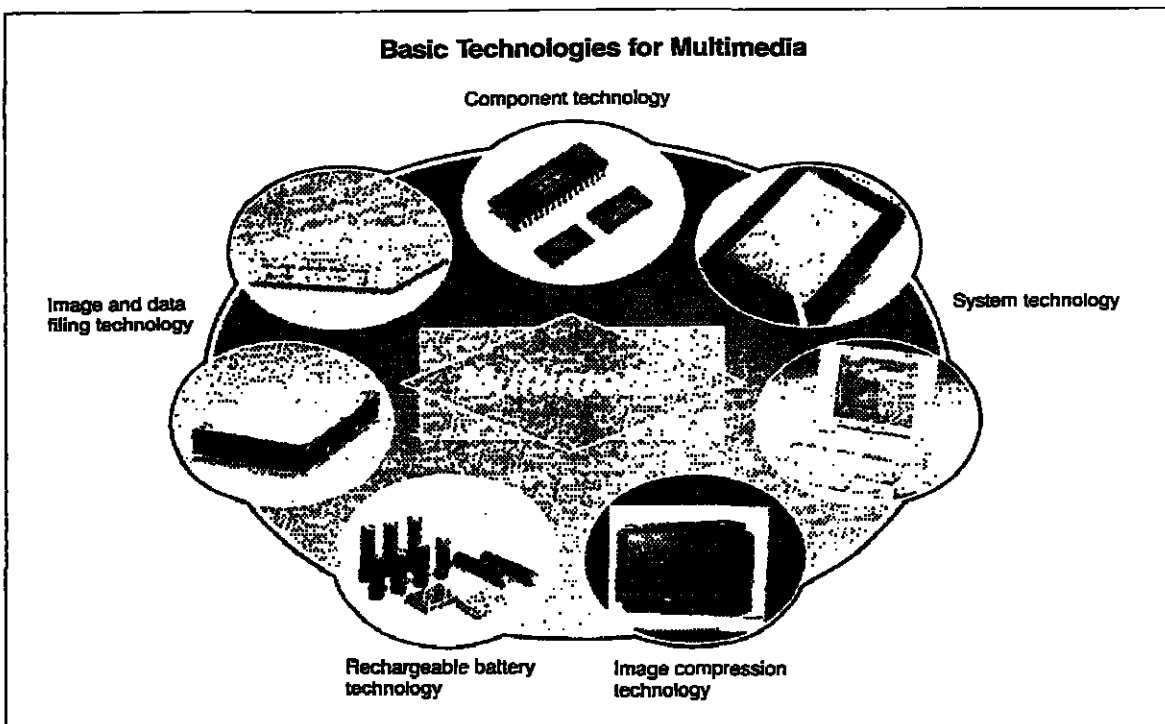
**McCulloch:** *What kind of integration technologies are necessary for the 21st century?*

**Sato:** I believe that the depletion of resources and the destruction of the environment will be critical problems in the 21st century.

Look at transportation. Every day, countless trucks are on the roads, carrying masses of products, materials and food. They cram the streets, burn non-recoverable fuels, and damage the environment. Ultimately, they hurt economic development and deplete natural resources.

Toshiba is conducting R&D into a new type of transportation system, a super-conducting magnetic levitated train. Here we are able to combine our wide-ranging capabilities in electronics with transportation technology, and develop an answer to our traffic problems. This is exactly the kind of integration made possible by our commitment to "E&E".

I believe that Toshiba has a lot to offer the world, as we cover a wide variety of businesses through Electronics and Energy. We have a huge potential to contribute to the progress of world society. The way I see it, that contribution is Toshiba's mission.



In Touch with Tomorrow  
**TOSHIBA**



# GKN wins Kuwaiti order for armoured vehicles

By Kevin Done and Daniel Green

GKN, the UK engineering group, has been awarded one of its biggest export contracts in a deal to supply more than 200 Warrior armoured fighting vehicles to Kuwait.

Negotiations are continuing between the UK and Kuwait governments over the supply by GKN of more than 100 Piranha light armoured vehicles. The total value of the contracts would be more than £500m.

The Warrior vehicles were battle-tested during the Gulf war and are currently being deployed by British Army

units serving with United Nations forces in Bosnia.

The vehicles will be assembled by GKN Defence at its plant at Telford, central England, where production is due to begin in late 1994. GKN shares rose yesterday by 4p, to 502½p.

The company said the Kuwaiti contract would secure around 500 jobs at Telford. It will follow completion of the present Ministry of Defence contract for 789 Warrior vehicles, which is due to be completed towards the end of 1994.

The Desert Warrior, demonstrated in trials in Kuwait in

August last year, has a US Delco turret in preference to the gun provided by Royal Ordnance, the subsidiary of British Aerospace, for the British Army vehicle.

GKN said yesterday the "great majority" of components for the Kuwaiti contract would be sourced in the UK, including the Perkins Rolls-Royce V8 Conder engines, which produce 550 bhp and give road speeds of 75 kph.

The Warrior vehicle is designed to allow the infantry to keep pace with main battle tanks. It carries a driver, commander, gunner and seven per-

sonnel.

The contract for the Warriors has been reached between the UK and Kuwaiti Governments, and GKN said that its contract with the UK Ministry of Defence would be signed "in the very near future".

The deal follows the signing of an initial memorandum of understanding between London and Kuwait on the provision of defence equipment and related services as part of Kuwait's plans to rebuild its armed forces following the Gulf conflict.

The Ministry of Defence said that it hoped the Warrior contract would be "the first of a

number of significant" arms purchases "by Kuwait from the UK."

If the negotiations for the Piranha armoured vehicle are successful, the vehicle would be assembled by GKN under licence from Mowag of Switzerland.

Kuwait is proposing to spend more than \$100m on arms procurement by the end of the decade. But faced with other spending needs, it wants 30 per cent of the value of any defence contract to be reinvested in the country.

The MoD said yesterday that "any such offset deals are a matter for GKN."

The announcement of the contract was a boost for the UK defence industry after a series of disappointments.

In February, France beat the US and Britain in a bid to supply almost 400 battle tanks to the United Arab Emirates in a deal worth about \$3.5bn.

Although it has won an order for about 40 tanks from Oman, Vickers is still fighting to secure a much larger order from Saudi Arabia, which is considering a further purchase of 235 tanks in addition to the 466 M1A2s it is due to receive from General Dynamics.

Vickers, which is trying to follow GKN into the Kuwait

market with its AS90 howitzer, said yesterday that progress towards an order was "slow".

Field trials are now unlikely until the summer of 1994.

Mr Jonathan Aitken, Minister for Defence Procurement, yesterday confirmed the award of a £22m contract to Siemens Plessey Electronic Systems for the development and production of a number of modifications to the Parnigan communications system.

Parnigan is a mobile, digital trunk communications system developed for use by the Army and RAF.

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## Britain in brief



## Qatar rejects award to Westland

Qatar is to contest a ruling by a Geneva-based arbitration tribunal that it and two other Arab governments owe Westland, the British helicopter group, £385m (\$574m) in a breach of contract action.

Westland's action against Qatar, Saudi Arabia and the United Arab Emirates, along with the Arab Organisation for Industrialisation and the Arab British Helicopter Company, concerns the collapse of an Egyptian-based helicopter manufacturing project, which was launched in 1978 and involved setting up manufacturing facilities in Egypt.

The project foundered, however, after the 1979 Israeli-Egyptian peace treaty and Egypt's ostracism by other Arab states, leaving Westland stranded after investing in the facility.

## VSEL bids for rival's work

VSEL, the Barrow-in-Furness naval shipbuilder, has offered to take over the management of shipbuilding at its troubled Tyneside rival Swan Hunter.

VSEL, which in May won a competition against Swan Hunter to build a helicopter carrier for the Ministry of Defence, wants to complete Swan's work on those Type 23 Navy frigates. Swan Hunter went into receivership in May after it lost the helicopter carrier contract.

## Officials could win 3.5% rise

Top government officials could win pay increases this year averaging 3.5 per cent - more than double the government's 1.5 per cent public sector pay limit - under a performance pay arrangement offered by the Treasury. The offer is similar to the deal agreed earlier this year with more than 100,000 white-collar government officials.

## First lawyers for takeovers

City of London solicitors firm Slaughter and May was the leading legal adviser to companies and financial advisers involved in public takeovers in the first six months of 1993.

The firm was involved in seven deals worth £554m (\$874m), according to a league table produced by Acquisitions Monthly magazine which ranks lawyers by value of the takeovers in which they acted as advisers.

## Licensing laws attacked

The Consumers' Association is urging the government to abolish the present liquor licensing system, which, it says, represents the single most effective barrier to entrants to the retail beer market.

The association also supports greater relaxation of opening hours.

## Revival of hard Ecu plan tests Tory unity

By David Owen

THE RESURRECTION of prime minister John Major's proposal for a common European currency appeared yesterday to have aggravated tensions over Europe in the ruling Tory party less than a week after foreign office ministers had launched a concerted attempt to damp them down.

The plan to create a parallel common currency - or "hard Ecu" - which would trade alongside Europe's national currencies was dismissed as "pie in the sky" by Mr Michael Spicer, a hardline Tory Eurosceptic.

Mr Spicer said that the objective of a single European currency would become the law of Europe, due to be implemented by January 1 1999, if the Maastricht treaty was ratified by Germany, the one EC country which has not yet done so.

Pro-European Tories were more positive about the revival of Mr Major's proposal, however.

Mr Ray Whitney, another backbencher, said that it was worth "taking down the file marked hard Ecu and looking at it again."

The plan represented a "pragmatic and realistic" approach, he added.

Sir Leon Brittan, the EC vice-president who warned at the weekend that some of Britain's EC partners might try to accelerate progress towards full monetary union, said the hard Ecu was "worth thinking about" among other possibilities.

The Institute of Directors - which last week started the renewed discussion by claiming the hard Ecu was the only option left for business to gain full advantage from the single European market - again entered the fray, criticising Sir Edward Heath, the former prime minister, for "suggesting that business wants a European single currency rather than a common currency."

Mr Peter Morgan, IOD director-general, said Mr Major was "listening to business" in reopening the hard Ecu issue. Sir Edward's "dream" of a single currency and full monetary union was not "within the realm of practical economics this century".

For the opposition Labour party, Mr Nick Brown, a front-bench Treasury spokesman, said the hard Ecu was "a non-starter." The proposition would be "laughed at by those with a serious knowledge of the topic and not understood by anyone else."

## Hill Samuel to advise on funding Channel rail link

By John Authers

HILL SAMUEL, the UK merchant bank, has been appointed to advise the government on attracting private sector funds for the £2.5bn Channel tunnel rail link between Britain and France.

According to the Department of Transport, which announced the move yesterday, the decision was not because of government dissatisfaction with Samuel Montagu, the former advisers, but was prompted by a revision of how the rail link could proceed as a joint project with private companies.

The department said that it was happy with the work completed by Samuel Montagu. An official added: "Because our concept of the brief had changed, we thought it was only fair to start another tendering process. There is no implied criticism of Samuel Montagu, and the work they have already completed is very much the basis of how we go forward from here."

Mr John MacGregor, the transport secretary, said: "The Rail Link is now moving into a new phase. Public consultations on the route will have finished and it will have been safeguarded for planning purposes by the end of this year."

He added: "The government has committed itself to making a substantial contribution towards the cost of the Rail

Link and we want to transfer the project to the private sector as soon as possible, so that it can go forward as a joint venture between the public and private sectors."

Hill Samuel said it was very pleased to be appointed, adding that the project would mainly involve its corporate finance and project work arms. It said it was the biggest public sector project that it has undertaken, although it has previously worked on infrastructure financing in Hungary and Greece.

A large part of Hill Samuel's brief will be "to generate interest in the private sector and go out more proactively", an official said.

Consultation with the private sector began on May 25. It was originally hoped that conclusions on private sector involvement would be reached by the beginning of July.

Private sector interest in the project has come from several companies, including Eurorail, a grouping which includes the General Electric Company, Trafalgar House, the construction, property, shipping and hotel group, and BICC, the engineering company.

Mr Chris Green, managing director of British Rail's InterCity subsidiary, is to become director of ScotRail next year, as a preliminary to leading a bid by ScotRail's management to win the franchise for Scotland's rail services.

## Dexter bowled out by test failure

England's miserable season has claimed another victim, writes Peter Berlin

TED Dexter, chairman of the England cricket selectors, fell on his bat yesterday. While his team stumbled to yet another defeat against Australia, Mr Dexter did the honourable thing and resigned.

England's failure means it is losing 4-0 in the six-match Ashes series and has lost nine of its last 10 tests. Overall, under Mr Dexter, England has played 44 tests, won nine, lost 21 and drawn 14.

Can a change of management improve England's results?

As it struggles to repair the damage, management experts are offering advice. "If the English cricket team were a business, it would have a three to five year corporate plan. It would mean short term pain - but that couldn't be more painful than being 4-0 down against Australia," said Mr Paul Buchanan-Barrow of headhunters Korn/Ferry.

The first step, the experts claim is to get the right person at the top. Mr Edgar Wille of Ashridge Management College says Mr Dexter's replacement needs to have 10 management "competencies". He needs the social skills of team-building, networking, listening and empathy. He needs to take risks and view the world from new perspectives.

Cricket fans, administrators and journalists have grown increasingly exasperated with the performance of the England team under Mr Dexter, who will select the team for the final test of the current series before stepping down on August 31.

Last week Mr Chris Middleton, chairman of Derbyshire cricket club, wrote to the other 17 first-class counties urging them to exert pressure on Mr Dexter to resign. They have got their way and next week's meeting of the TCCB, the English games governing body, will now discuss a successor.

Things began to go wrong



England players celebrate a wicket at Edgbaston, where Ted Dexter announced his resignation

for Mr Dexter last summer when England lost to Pakistan. This began a run of nine losses out of 10 tests.

England's oldest adversary has proved Mr Dexter's final undoing. Of his 21 defeats 11 have been against Australia.

England's dire performances have been accompanied by the sound of Australian jeering. Mr Rodney Marsh, the former test wicket-keeper, said England's bowlers were "pie throwers" and that England was so inept

it should only be granted a three-match series next time it visited Australia.

By that time, Mr Dexter's reign, characterised by an air of old-fashioned English amateurism and smugness, will be over. The new chairman of selectors will be expected to take a keener interest than his predecessor who this summer, while his team was losing the decisive Headingley test, was concentrating on another sport - golf.

## Businesses face up to the ERM's 15% solution

Tracy Corrigan and Charles Batchelor on how smaller companies are coping with the wider bands

Managing foreign exchange risk "has become more complicated, more time-consuming and the costs have gone up. It diverts valuable time from doing deals."

This litany of complaints about the effective collapse of the European exchange rate mechanism comes from Mr Rudi Kathoke, finance director of British Technology Group, a company with annual turnover of £27m (\$40m) which licenses technology around the world.

But it could have come from any of the thousands of small and medium-sized British companies coping with the new currency regime.

Even after sterling left the ERM last September, BTG was able to balance assets and liabilities against each other

countries because their currencies moved in narrow bands.

Now the bands have been widened to a point where they effectively do not exist. BTG must match assets and liabilities on a country by country basis. This involves it in much more work, because 85 per cent of BTG's revenues come from outside the UK, including 25 per cent from other European Community countries.

Smaller companies are not alone in suffering from currency uncertainty, but they are less likely than large ones to have the staff and the expertise to deal with it. They are also more likely to trade only within Europe, and therefore to have relied on the ERM to protect them from currency volatility.

"Larger companies have been hedging currencies for

some while," according to Mr Robert Mastone, a derivatives specialist at NatWest Capital Markets. However, the surge of volatility in the currency markets last summer, culminating in sterling's departure from the ERM in September, sparked a fresh wave of interest in hedging foreign exchange risk.

Some companies only use forward foreign exchange contracts, which involve buying a currency at a set rate in advance, rather than options, which give the holder an option to buy a currency at a set rate at a set time, because some firms consider forward contracts cheaper, and sometimes less risky. But unlike forward contracts, buying an option does not lock a company into a potentially unfavourable exchange rate.

Even companies which in

the past have steered clear of the derivatives market, perhaps because they feared repeating the experience of Allied Lyons, which two years ago lost £150m from writing currency options, now find hedging a necessity rather than a choice.

Companies are taking what Mr Christopher Taylor, head of foreign exchange and money markets at Barclays, sees as "a more enlightened approach" to derivative instruments.

But he says that it is not only large companies which are active in hedging exposure: "In many cases it's the small-to medium-sized companies which have been more active because they have shorter management chains: one of the barriers in larger companies is the need for senior management approval."

Designers Guild, a west London designer and manufacturer of fabrics and wallpapers, recently decided to take out forward contracts to cover 60 per cent of its foreign currency exposure. "I wish now I had taken out 100 per cent cover," comments Mr Mark Naughton-Rumbo, financial controller.

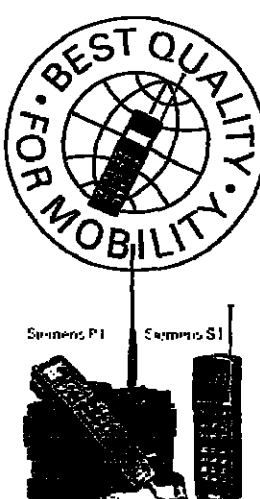
It has also been forced to allocate a staff member to compile a daily report on the company's foreign exchange exposure. "The foreign exchange position can change overnight," says Mr Naughton-Rumbo. "We could not afford to take a £50,000 foreign currency loss." The company exports more than 60 per cent of its £15m annual turnover.

But the most damaging impact of the recent foreign exchange volatility has been to business confidence. "The level of uncertainty won't help us out of the recession," says Mr Naughton-Rumbo. Suppliers of machinery and other capital equipment, with long lead times between the order and delivery, face particular difficulties. "How can I quote a price to a customer in France when it takes two to three months until delivery?" asks Mr Fred Marshall, managing director of Speedex (Engineering), a Bradford-based manufacturer of plastics extrusion machinery with annual sales of nearly £3m.

"When I talk to my customers it is not about the technicalities of our machines but about currencies. I can't understand the sense of allowing gamblers, people who don't manufacture, to dictate what a currency is worth. The ideal would be for one currency."

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Mr John Wilson, Commercial Ventures Group, Auckland Institute & Museum, Private Bag 92018, Auckland, New Zealand.

Fax No: 64-9-379 9956, Phone No: 64-9-309 0443.

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## EXPRESSIONS OF INTEREST

## ACTION TV

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The Totalisator Agency Board of New Zealand ("TAB") has appointed Baring Brothers Burrows & Co., Limited to seek submissions from interested parties to acquire the rights to operate the TAB's recently established national UHF television channel for the remaining 17 years of the licence.

The successful bidder will be required to continue to broadcast the TAB's successful "Trackside" Program and will be free to program the remaining 84% of unprogrammed air time. The successful bidder will have the commercial advertising rights to 100% of the air time.

Formats for the expression of interest and relevant information are contained in a Confidential Information Memorandum.

Enquiries should be addressed to:

Mr Peter Breese  
Baring Brothers Burrows & Co., Limited  
7 Macquarie Place, Sydney, 2000 Australia  
Telephone 61 2 247 1222  
Facsimile 61 2 247 7040





Microsoft is giving mixed signals about its future prospects, writes Louise Kehoe

## Bruised but not beaten

For Microsoft chairman Bill Gates, these are trying times. His company is under scrutiny for alleged anti-trust violations; Wall Street has soured on the stock; and after 18 years of spectacular growth Microsoft is planning for a "bumpy" year ahead. Could Microsoft have lost the golden touch that has enabled it to become the largest software company in the world, made Gates, 37, the richest man in the US and created hundreds of millions among its employees?

This is the sort of question that irritates Gates. From his perspective, Microsoft's achievements to date have nothing to do with a Midas charm, rather they reflect hard work and perseverance, long-term vision and commitment. He has no patience with "simplistic analysis" that assumes Microsoft will inevitably be successful in anything the company turns its hand to. Or, as is now the case, that short-term expectations for slower growth may signal that Microsoft's glory days are coming to a close.

Indeed, predicting the outlook for Microsoft is complicated by numerous issues. Not the least of these is whether Microsoft will face an anti-trust suit. The US Justice Department is currently reviewing documents from a three-and-a-half year investigation conducted by the US Federal Trade Commission.

Other problems for Microsoft include a downward trend in software prices and a weak market environment in Europe, one of its largest markets. With no big operating system software product introductions planned for the next 12 months, Microsoft also faces an unusual dry spell. Revenues from the company's core business - software for office PCs - may grow less rapidly than in the past.

Yet the company is driving ahead with ambitious plans to enter new markets such as programs for handheld "personal digital assistants," software for children, multimedia products and software for the "digital highways" of the future.

Microsoft is also developing two new generations of personal computer operating systems: one for

desktop PCs, codenamed Chicago, and a second, called Cairo, for computer networks (see below).

But torn between blowing Microsoft's trumpet, to impress customers and investors, or highlighting its vulnerabilities, to appease Washington regulators, Gates and other Microsoft executives are delivering a mixed message about the company's future prospects.

"In looking at this industry and Microsoft's role in it, I am very optimistic," Gates says. "We are investing in a very optimistic way."

In the next breath, however, he is urging caution. "A number of these investments may take a long time to pay off," he says. "If these new things kick in, then we will go back to higher growth. If we're wrong, then we won't ever advance beyond the level we are at today."

Microsoft's propensity to point out the risks associated with entering new markets, and that even its new PC software products could "bomb," has contributed to Wall Street's uncertainties.

"That tone of conservatism is part of our culture. We expect good results, but prefer them to come as surprises," Gates says. Yet veteran

Microsoft watchers believe that the company's recent emphasis on potential problems is at least in part aimed at the ears of anti-trust regulators in Washington DC.

For example, Microsoft is at pains to point out that it does have competitors. Executives even highlighted rival products in a presentation to financial analysts less than two weeks ago. And in an attempt to win political support, Gates reels off the benefits which the PC industry has provided to the US economy, such as growth in exports and the creation of jobs.

"Today's software business is thriving, and it is not just Microsoft," says Gates. "There are 750 software companies in the state of Washington alone and the majority of them write software [applications programs] for Microsoft Windows. Net employment went up by more than the size of Microsoft just in the last year... the incredible thing is how well the US has done in this business."

The Clinton administration would be foolish to do anything that threatened the future of Microsoft, Gates seems to be implying.

Politics aside, the greatest challenges facing Microsoft lie in the



Trying times: an optimistic, yet cautious approach from Bill Gates

development of a series of groundbreaking technologies. Gates is placing a big bet on software for "digital highways" - which could deliver multimedia information services to millions of businesses and homes.

His goal is to establish a software standard for the way people use information services, whether they be entertainment services on interactive television, public information services at a kiosk in a shopping centre or business information services in the office.

Partnerships - with cable televi-

sion companies, telephone companies and companies in the entertainment field - will be an important aspect of Microsoft's involvement in digital highways.

While denying reports that Microsoft has already struck a deal, Gates acknowledges that Microsoft is talking to US West as well as other US telephone companies, and TCI and Time Warner, the two largest US cable television companies. The gold rush surrounding "digital convergence" also has movie moguls, newspaper companies, AT&T and IBM knocking on his door, Gates says.

"You will see us enter into all sorts of partnerships." Some will merely be agreements to collaborate in trials of interactive television service. Others may be "hard-core joint ventures". Microsoft also plans to make minority equity investments in companies involved in digital highways.

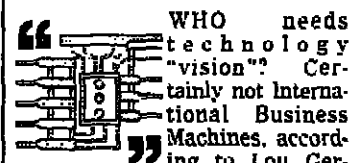
"I am not aware of any other company that is making the kind of bet that we are on digital information highways," Gates says. The company will spend "many tens of millions of dollars" developing the technology, and "won't get any revenue for at least three years. And it could all be wasted, but that is the name of the game."

The "game" of spotting new technology directions and turning them into business opportunities is one at which Gates is a master and with \$2bn (£1.3bn) in cash resources, Microsoft can even afford to lose a few rounds.

### Technically Speaking

## That 'vision thing' again

By Louise Kehoe



WHO needs technology "vision"? Certainly not International Business Machines, according to Lou Gerstner, the computer giant's tough new chairman and chief executive.

"The last thing IBM needs is vision," he declared last month, in a statement that is stirring wide-spread debate throughout the computer industry.

The "vision thing" is a hot topic among those who like to wax lyrical about their views on the path that technology developments will take in coming years: "information highways" and "industry convergence" are their favourite topics.

All seem to see their companies playing a critical role as these visions unfold. Yet apart from drumming up enthusiasm for technology in general, is there any value to this star gazing?

Bill Gates, chairman of Microsoft, founded his company on a "vision" of how microprocessor chips would put "a personal computer on every desk and in every home," and the opportunities that this would create for selling software programs.

"Paul Allen [Microsoft co-founder] and I wrote that down on day one," Gates recalls. Eighteen years, and several billions of revenue dollars, later Gates still sets aside a few "think weeks" each year to "figure out trends that are going to affect us and what we ought to be doing about them. It is something you have to give a lot of thought to."

What does Gates make of Gerstner's apparent disdain for vision? "It depends what you mean by vision," he responds. "In the broad sense, it is not sufficient or necessary. But having a technology strategy, figuring out the industry direction, the factors that are influencing the business and the synergies between them is very important."

According to Mike Maples, Microsoft executive vice-president: "Vision is knowing where to go". Picking the technologies that are going to be important and then being willing to invest in them is

a key ingredient of industry leadership, he maintains.

Vision can, however, be blinding. In the past, IBM was prone to seeing the information industry through Big Blue-tinted glasses. Hence, the company mapped out a grand strategy called SAA that pulled all the disparate pieces of its technology together, but failed to recognise that the market was taking a different path defined by industry standards.

Lew Platt, Hewlett-Packard chief executive, takes a more pragmatic approach to "vision". "While we're excited about our vision of the future and how HP can participate in its creation, we don't intend to get blinded by the vision thing," he recently told customers. "Computer makers must keep sight of a basic truth: We build things customers want. They are the architects of our vision."

However, customers with a vested interest in today's technology are not always the best seers. Users of H-P computers no doubt foresee a great future for Unix, but it is a fair bet that buyers of Microsoft's programs look forward to new versions of Windows. Similarly, users of IBM mainframes are unlikely to tell the company to get out of that business.

Too much vision can also be a dangerous thing, as Apple Computer has discovered. While putting its energies into long-term innovative projects, such as Newton, Apple has failed to maintain the momentum of its core Macintosh personal computer business. Computer companies cannot afford to become so excited about the future that they lose focus on near-term issues and priorities.

Many high-technology visions also turn out to be pipe dreams. Steve Jobs's Next Computer, which he had hoped to build into a computer company repeating his success at Apple, is one of the most celebrated examples.

Indeed, there are many reasons to avoid technology vision. It can be blinding, expensive, misleading and fleeting. Yet companies without it must inevitably rely upon the foresight of others, becoming technology followers rather than leaders.

## Microsoft polishes its 'Windows'

A number of enhancements to "Windows", Microsoft's best-selling PC operating environment, are on the horizon.

● The next technology will be Object Linking and Embedding (OLE) Version 2 - which will be shipped in the coming months as part of products such as Microsoft Publisher.

The idea behind OLE is that all types of information can be treated as "objects" that can be copied, moved or manipulated within any Windows application program. Object types include text, graphics, animation sequences, short film clips, voice messages and spreadsheet models.

OLE will provide flexibility to PC users who are familiar with the options on all of the applications programs at their disposal. Yet it threatens to plunge less-experienced users into unfamiliar territory without obvious means of escape, creating potential support problems.

● Merging MS-Dos and Windows as a single PC operating system will result in a program called Chicago. It will feature "pre-emptive multitasking" meaning that several functions can be carried out simultaneously.

Microsoft is pinning a great deal of hope on Chicago, which is scheduled for introduction in about

12 months. "Chicago will be the most popular systems update we have ever put out," Bill Gates, Microsoft chairman, said.

By the time Chicago is shipped, Microsoft expects that there will be 50m copies of Windows sold - and Gates says that if Chicago does not generate at least \$500m (£338m) in sales during its first year he will be disappointed.

● Due in about 18 months, Cairo is the ultimate version of Windows. It will "learn" how each user works, enabling them to customise the way they organise and find information on their computer.

Geof Wheelwright

# Wouldn't you like to talk to the people who make the world go round?



The IMF/World Bank meetings in Washington this September hold a special interest for top decision makers.

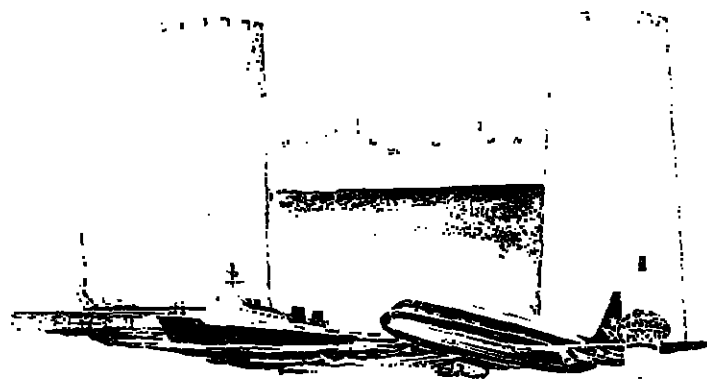
Today they have to think beyond national borders and take account of global issues. And they will look to the Financial Times for the most authoritative reporting of events as they unfold in Washington.

The Financial Times IMF/World Economy and Finance Survey will be published on Friday, September 24 to coincide with the Washington meetings.

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**FT. IMF/World Economy and Finance Survey.**

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## MANAGEMENT: THE GROWING BUSINESS



## Loans linked to business advice

The government is expected shortly to announce plans for a pilot programme linking the loan guarantee scheme to business advice and counselling provided by local Training and Enterprise Councils.

Managers and business owners seeking a loan will be invited to take some form of business training. The loan guarantee scheme guarantees 85 per cent of bank loans to businesses which lack a track record or the security normally required.

The pilot programme will allow the government to discover whether companies which elect to take advice perform better than those which do not. If they do, linking loans to training could be a means of reducing losses from the scheme.

## Making a break to East Asia

A business centre to help local companies break into export markets in the Far East and Asia has been launched by Rochdale Training and Enterprise Council.

The Training and Enterprise Services Centre offers help with marketing and sales in areas such as China, Japan, Taiwan and Korea. It provides assistance with translations, market research, joint ventures and information on legislation, duties and tariffs. The centre recently helped local businesses establish links with a visiting trade delegation from Malaysia.

Contact: Philomena Lee-Yuen Chen, Rochdale TEC, St James Place, 180-182 Yorkshire Street, Rochdale, Lancashire, OL16 5DL. Tel 0706 41908.

## A helping hand with R&amp;D funding

Research and development is expensive but vital for the growing business. Help in funding R&D is available from a wide range of European Community initiatives, although companies often do not know where to look.

A new guide to EC research and development programmes has now been produced by the Department of Trade and Industry. It provides details of a host of programmes, help in applying for funding and points of contact.

From Research and Technology Policy Division, DTI, 151 Buckingham Palace Road, London SW1W 9SS. Tel 071 215 5000. Free.

## Caught in the dreaded rent trap

A quarter of a million small firms which lease or rent business premises are locked into upward-only rent agreements, according to the latest NatWest Small Business Research Trust survey.

Of these, half have three or more years remaining on their lease before they can surrender it or leave without sub-letting. As interest rates, inflation and rents come down small businesses trapped in agreements which do not permit reductions in rent levels are at a big disadvantage, NatWest said.

Rent accounts for an average 5.5 per cent of the sales of small businesses while business rates account for a further 2.3 per cent.

\*From School of Management, Open University, Walton Hall, Milton Keynes, MK7 6AA. Tel 0908 655331. £15 a quarter or £45 annual subscription.

## Weighed down by maternity benefits

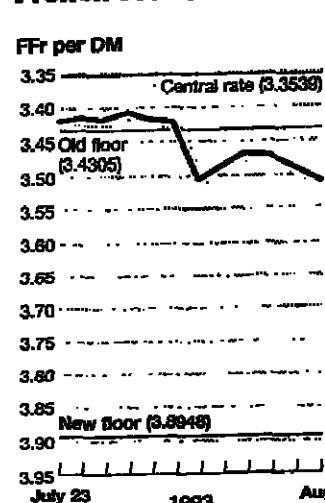
The Federation of Small Businesses, the largest UK small firms lobby group with 58,000 members, has reacted angrily to government suggestions that responsibility for paying state maternity benefits should be transferred to employers.

At present employers can reclaim in full from the Department of Social Security the cost of paying maternity benefits, but the federation fears the government may seek to make employers responsible for part of the cost. In 1991 employers were made responsible for paying 20 per cent of statutory sick pay benefits.

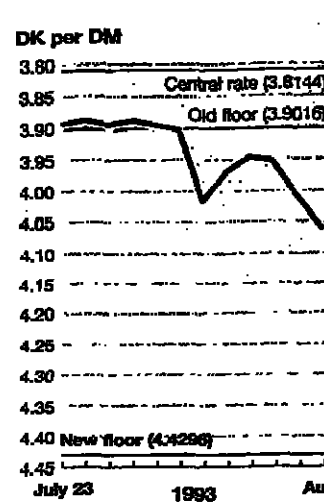
Reduction or abolition of the right to reclaim maternity payments could lead to the closure of small businesses, the federation said.

Simply administering various state benefits places a heavy burden on small firms, it commented.

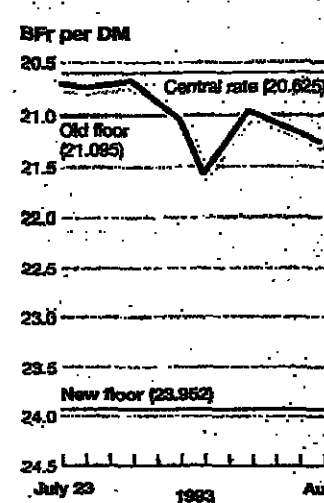
## French Franc



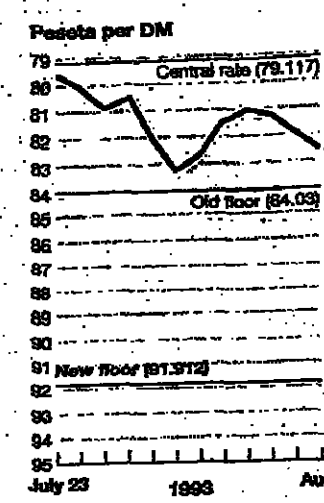
## Danish Krone



## Belgian Franc



## Spanish Peseta



## Back on the rollercoaster

Charles Batchelor answers questions arising from the ERM's downfall

British and Italian companies have had 10 months to become used to more widely fluctuating currencies since their countries' enforced departure from the European exchange rate mechanism last September.

The effective dismantling of the ERM on August 2 has meant companies throughout Europe must now cope with greater currency volatility.

What action should I take to minimise foreign currency risks?

You must take more care in managing your income and expenditure from activities in the ERM countries. Previously companies could be relaxed about surpluses or deficits emerging in their cash flows within Europe. The narrow fluctuation bands between the different currencies meant companies could usually ignore any exposure which occurred between them.

But now that most of the European currencies can fluctuate quite widely against others, companies must consider hedging their exposures in individual currencies. A surplus in D-Marks can no longer be offset by a deficit in French francs. The D-Mark and the Dutch guilder are retaining their narrow bands but these are the only two currencies which you can now set off against each other.

Similarly, if you borrowed D-Marks, for example, to finance export business on the assumption that the German currency would not fluctuate much against the other currencies, you must now

take into account the risk of greater volatility.

Is that all?

No. If you are an exporter to, say, Germany or the Netherlands and you have competitors based in, for example, France, a decline of the French franc will give them an advantage in the German or Dutch markets. You may need to think about marketing and pricing issues.

You must also take into account the effect of possible interest rate cuts in continental Europe. If currencies which were previously obliged to maintain high interest rates to keep their currencies within the tight ERM bands start cutting their rates, your competitors will have access to cheaper finance. You could switch your borrowings into the same currency but this may not always be convenient.

Since I am not involved in exports, can I ignore the possibility of larger currency movements?

It is a common misconception that dealing only in your domestic market means you are not exposed to foreign currency risk. You may be exposed to currency-related developments elsewhere. If a competitor who sells into your home market buys his raw materials from suppliers in a country with a currency which has weakened against your currency then that competitor will enjoy a cost advantage.

I do not believe that even the experts can forecast foreign exchange market fluctuations, so hedging is a complete waste of

time. I might as well let the pluses and the minuses even themselves out. Is this true?

No. Just because swings in exchange rates are large and unpredictable, that does not mean you should ignore them in the hope that they will cancel each other out. To hedge currency flows may not result in higher profits overall, but it does at least cut down on uncertainty. In the very long term, movements in exchange rates may follow the real economy, although the timing and the extent of the movements are so uncertain that companies punt on exchange rate fluctuations at their peril.

I both sell my products and buy raw materials throughout Europe. Does the ERM break-up mean I must increase my hedging and, as a result, my financing costs?

Not necessarily. You may have a natural hedge if you have assets and liabilities in the same currency which can be matched. You may be able to match overseas borrowings with revenue flows or set raw materials purchases against sales in the same currency. The advantage of a natural hedge is that it is cost-free and simple to manage.

Does this mean that I should take out cover for every transaction which does not have a natural hedge?

Again, not necessarily. You must consider if the exposure is sufficient to warrant taking out cover. Sensible companies hedge selectively. Hedging everything in sight can sometimes be a disadvantage. If, for

example, a British company bought foreign currency forward to hedge the value of a shipment from, say, France and the franc fell against sterling you would be locked into the earlier, disadvantageous exchange rate. Competitors who had not hedged could take advantage of the lower rate. This emphasises the need for a selective approach to currency hedging.

I find foreign exchange market jargon confusing. I have heard of currency forward contracts, swaps and options. What is the difference?

A forward contract allows a company to "fix" an exchange rate until payment is made months or even two or more years later. A drawback is that you will have to accept or supply the currency involved when the contract matures, even if the delivery did not go ahead. Option forward contracts are similar but allow a range of settlement dates rather than a single date. This gives flexibility but does cost more.

Currency swaps allow a company to swap its debts through a bank with another company so that both sides obtain a debt in their desired currency. The swap arrangement sets the rate at which the currencies will be exchanged at a date in the future.

Currency options give you the right to buy or sell the agreed amount of currency at a future date. But unlike forward contracts there is no obligation to complete the deal and if a sale falls through or the currencies do not move as expected you can simply let the option lapse.

## Watch those freebies

Many companies are offering unnecessary discounts in a misguided attempt to increase sales and may be needlessly sacrificing a large share of their profits. This is the finding of a survey\* carried out by Winkler Marketing, a consultancy.

Most of the time companies do not know how much money they are giving away in discounts or even which members of staff are doing the most damage to profits.

"When companies run checks on who gives the money away they are often astonished by how many staff, particularly junior staff, are involved and disbelieve their own figures when they see how much money is involved," comments John Winkler, managing director. Small companies, in particular, allow themselves to be browbeaten into offering discounts for fear of losing a customer. Large companies are less likely to give in to pressure for discounts but are most likely to demand it from their own suppliers.

A survey of more than 500 managers showed that companies could increase their sales by an average of 16 per cent if they insisted on sticking to their published price list. Since most companies make a net profit of between 6 and 10 per cent they may be giving away between two and three times their profits in special deals, Winkler calculates.

Financial controllers should take a sample of invoices and analyse any discounts, rebates and special prices including any advertising or promotion allowances, the survey suggests. The analysis should reveal which products are most frequently discounted, which sales executive is involved and who the customers are.

A handful of deals should be looked at in depth to compare delivery notes with orders and invoices. Sometimes free goods and extras are not recorded on the invoice though they have been delivered. Free services such as delivery, drawings and technical support should also be taken into account, the survey notes.

\*How Much Does Unnecessary Discounting Cost British Industry? Winkler International, 6 St George's Place, Brighton, East Sussex, BN1 4GA. £1 to cover page.

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Mr Robert McMillan, Managing Director of the McMillan Printing Group, Sydney, Australia, who are contracted by the Australian Department of Immigration for management of this facility, will be available for interviews in London from 21/8/93 to 26/8/93 and from 11/9/93 to 15/9/93.

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Mr Robert McMillan,  
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Appointments for interviews will be arranged by telephone.

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EUROPEAN COURT

second Marshall case.

Miss Helen Marshall, a dietician, had been dismissed by her employer, the Southampton and South West Hampshire Area Health Authority, on the grounds that she had passed state pension age. In 1986 the European Court ruled that because state pension ages were different for men and women, her dismissal was discriminatory and illegal.

The issue the court had to decide in the second case was the level of compensation to which she was entitled. Under the UK's Sex Discrimination Act, compensation at the time was limited to £6,250. An industrial tribunal assessed Miss Marshall's financial loss at £18,405, including £7,710 in interest. The Area Health Authority paid the capital sum, but appealed against the interest.

The Court first analysed the objective of the sex discrimination provisions in the relevant EC directive. It held that the purpose of the provisions was to put into effect in member states the principle of equal treatment for men and women in employment.

It then reiterated that the particular provision that prohibited sex discrimination was of direct effect, and could be relied on by an individual against a state authority acting as an employer.

As to the provision in the directive that put member states under a duty to take all necessary measures to enable persons who considered themselves wronged by discrimination to pursue their claims before the courts, the Court said that the measures in question had to be such as to guarantee real and effective judicial protection and have a real deterrent effect on the employer.

This meant that the particular circumstances of each breach should be taken into account and, in the event of discriminatory dismissal, a situation of equality could not be restored without either reinstating the victim or, alternatively, granting financial

compensation for the loss and damage suffered.

In the light of this, the Court held that fixing an upper limit on compensation breached the provision in the Council directive relating to the member states' obligation to guarantee real and effective judicial protection, because such an action necessarily limited the amount of compensation to a level which might not reflect the actual loss and damage suffered in each case.

The Court also held that interest must be capable of being awarded, as compensation must be full and had to take account of factors, such as the passage of time, which might reduce its value.

Finally, the Court held that the fact that member states were entitled to choose between different solutions to achieve the objective of guaranteeing real and effective judicial protection, did not prevent that provision from being directly effective.

C-271/92: *Marshall v Southampton and South West Hampshire Area Health Authority*. ECJ FC, August 2 1993

Italian rules on foreign language assistants unlawful

The European Court has ruled that an Italian law restricting contracts for foreign language assistants to renewable one-year periods was contrary to the Rome treaty's provisions on the free movement of workers.

The law in question only applied to foreign language assistants and not to other teachers. The Court found that, although the law applied independently of nationality, it applied essentially to nationals from other member states, as only 25 per cent of all foreign language assistants in Italy were Italian.

It was argued that the rules were necessary to ensure that numbers of assistants matched the annual needs of the universities. The Court held that the EC provisions did not stop member states from adopting indirectly applicable measures aimed at resource management as long as such measures are proportionate.

Joined Cases C-259/91, C-331/91 and C-332/91: *Allue and Others v Università degli studi di Venezia*. ECJ FC, August 2 1993

BRICK COURT CHAMBERS, BRUSSELS

Long-awaited reform of the UK's competition laws is looking increasingly unlikely during the next parliamentary session.

The Department of Trade and Industry, which would shepherd such a bill through Parliament, seems to have its hands full with the prime minister's much vaunted deregulation bill to cut red tape, the privatisation of British Coal and reform of trademarks law.

Yet the case for reform of the restrictive trade practices legislation appears to be stronger now than when first promised by the government in 1987. The European Commission is calling on national courts to take over the handling of routine competition cases - a move that would require the convergence of competition rules within Europe as a whole.

A timely reminder of the need for change was given to the UK government last week, when the Institute of Economic Affairs published a series of lectures given last year at the London Business School on the most important issues in regulation, and in particular by the lecture by Sir Gordon Borrie, former director-general of fair trading.

Sir Gordon's starting point was that UK competition law remains unnecessarily complex. There are four basic statutes: the 1971 Fair Trading Act, the 1976 Restrictive Trade Practices Act, the 1976 Resale Prices Act and the 1980 Competition Act, handling mergers, anti-competitive practices and other forms of monopolistic behaviour, cartels and resale price maintenance.

Each of these is dealt with by different procedures involving a combination of four authorities: the director-general of fair trading, the Monopolies and Mergers Commission, the trade and industry secretary and the Restrictive Practices Court.

Only resale price maintenance is automatically prohibited (except in relation to books and pharmaceuticals). Everything else is subject to case-by-case examination, and an anti-competitive practice or situation can only be prohibited or modified if, following investigation, it is found to be against the "public interest".

This "nebulous concept", Sir Gordon said, set the UK's competition laws apart from those of most other countries, including those of the European Community.

To add to the complex mosaic faced by UK industry, EC competition law - article 85 of the Rome treaty dealing with anti-competitive agreements and article 86 dealing with abuse of market power - is directly applicable in the UK when inter-state trade is affected.

Growing levels of international trade and the globalisation of markets mean EC law has an increasing



Sir Gordon Borrie: 'The restrictive trade practices act is not up to the task'

## Competition on back burner

The UK cannot afford further delays to reforms, says Robert Rice

impact in the UK. It also points to the need not only for closer co-operation between competition authorities, but, more importantly, to the need for convergence in national laws and enforcement policies.

Sir Gordon argued that the most obvious and urgent need for reform was in the restrictive trade practices legislation. An effective means of controlling price-fixing cartels and market-sharing agreements, bid rigging and collusive tendering was essential, he said, adding: "Frankly, the restrictive trade practices act is not up to the task."

The defects in the legislation are well known. The act requires parties to any agreement in which two or more of them accept restrictions on their commercial freedom, to provide details of the agreement to the Office of Fair Trading for registration. If they do not, the agreement will be unlawful. But this reg-

istration requirement catches a large number of agreements that have no significant effect on competition.

The second weakness is that the OFT has inadequate investigatory powers. When the OFT suspects an unregistered agreement is in operation, all it can do is issue a notice requiring details of any registrable agreements. It has virtually no means of proceeding in the face of denials, even where it continues to have strong suspicions.

The third defect is that the legislation lacks deterrent effect. There are no financial penalties for failure to comply with the registration requirement. Companies operating anti-competitive agreements do face unlimited fines for contempt of court if they break an order of the Restrictive Practices Court, but in practice fines for contempt in cartel cases have been modest.

Having promised reform of the

law in its election manifesto six years ago, the government produced a white paper in July 1989 outlining a change in the law.

Anti-competitive agreements and concerted practices would be automatically prohibited unless they met specific criteria for an exemption, with heavy fines of up to 10 per cent of turnover for wilful or flagrant breach of the law. The OFT would be given tough new investigatory powers, including the right to enter premises and search for evidence of a suspected agreement.

The proposals met with widespread approval - even from industry, which saw advantages in the closer alignment of EC and UK law.

But the white paper dealt with only half the problem. As Sir Gordon pointed out, if the OFT was to be given new powers to investigate and tackle restrictive trade agreements, it seemed odd to retain the existing laws and procedures for dealing with abuse by individual companies of their dominance in the marketplace to stifle competition. The problems with the existing law were similar to the defects identified in the restrictive trade practices legislation: weak deterrence, no rights to damages or interim relief and inadequate powers of investigation.

The government appeared to accept this argument and, last November, published a consultation paper on reform of the law on abuse of market power. It canvassed views on three options, two of which involved adopting an EC-style article 86 prohibition on abuse of a dominant position, backed by fines.

In April this year, however, it opted to retain the existing case-by-case approach for tackling anti-competitive practices. The OFT's investigatory powers are to be strengthened, so that it can decide more quickly whether to launch full-scale inquiries.

The government had identified a number of serious defects in UK monopoly controls, and had originally favoured adopting a new system based on article 86 of the Rome treaty while retaining the UK's existing powers to investigate monopolies under the Fair Trading Act. Sir Gordon had also favoured this approach.

Its change of mind was ascribed to pressure from industry which was opposed to the idea of fines for practices such as deliberately pricing goods too cheaply and refusing to supply certain outlets.

As a result, defects in UK competition laws remain and need to be addressed, if the UK is not to find itself increasingly out of step in Europe. The publication of Sir Gordon's views will remind the government that it cannot afford to let things drift.

## LEGAL BRIEFS



### Record Canadian fine imposed for market-sharing pact

In June, Canadian competition authorities imposed the largest fine ever against a single firm when it fined Chemagro, a subsidiary of Bayer AG, \$2.2m for two separate market-sharing agreements. As well as confirming the trend in Canada towards increasingly high fines for antitrust conspiracy, the case highlights the importance of Canadian rules against foreign-directed, anti-competitive agreements, and the Canadian competition bureau's whistle-blowing programme.

The first conspiracy involved an unlawful agreement between Bayer and a Japanese company for their Canadian subsidiaries to share the Canadian market for certain chemical insecticides between 1982 and 1988.

The second conspiracy involved a 1980 market-sharing agreement between Chemagro and Abbott Laboratories, which came to light when Abbott voluntarily reported it in return for immunity from prosecution. Chemagro is the first company convicted in Canada of a foreign-directed antitrust conspiracy.

### Harassment case

A federal courtroom in Philadelphia has been packed in recent weeks for the hearing of a sexual harassment case involving one of Pittsburgh's top law firms, Reed Smith Shaw & McCloy. Ms Kathleen Frederick, a former associate, claims that she was coerced into a sexual relationship with Mr Richard Glanton, one of the firm's senior partners, by promises of partnership, but was fired three months after their alleged affair ended. Mr Glanton, married with a family, is one of Pennsylvania's most prominent black Republicans and was a top lawyer in the administration of former governor, Mr Dick Thornburgh.

## PEOPLE

### Inspiring fear from the Bank of England

Michael Foot is only 46 yet he has already had 11 jobs in 24 years and is about to become one of the most feared officials in the City when he takes over as head of banking supervision at the Bank of England at the end of the month.

Like many of the Bank of England's high-fliers, Foot (pictured left) started life as an economist. Having graduated from Cambridge with an upper second, he had six years in the Bank followed by a year at Yale. His early career at the Bank included working for Professor Charles Goodhart, when the latter was advising on monetary policy.

A stint as personal assistant to Eddie George, who took over as governor at the end of June, gave the first hint that Foot was destined for high office. It was followed by a series of jobs including being the UK alternate director at the IMF during the Mexican debt crisis and



taking over as head of foreign exchange division when sterling was uncapped from the D-Mark. Since September 1990 Foot has headed the Bank's European division and spent



much of his time preparing for the financial side of the Maastricht treaty. However, Foot admits that the challenge of heading the 200-strong bank supervision

division is more daunting, especially given the recent criticism of the Bank's role as supervisor of the collapsed Bank of Credit and Commerce International.

Whilst acknowledging his own lack of supervisory experience, he is conscious that the 500 institutions he will be supervising expect one thing above all else, and that is consistent treatment.

As a career Bank of England official, he is also sensitive to criticism that his views might suffer from being too inbred and promises to compensate for this by getting out and about much more.

Foot, who takes over from Roger Barnes, will also have a new deputy, Carol Sergeant, 40, (pictured right) who is also a Cambridge graduate. Since 1990 she has been senior manager for operations and policy in the gilt-edged and money markets division.

### Union Discount in search of new lease of life

George Blunden, who took over as chief executive of Union Discount a year ago, is bringing in Ian Martin, formerly of Baring Securities, as his new group managing director.

George Lynn, who is leaving at the end of the year, will also hand over the group finance function to Martin in the next few months.

While Union's recent troubles have largely stemmed from its disastrous expansion into leasing, Blunden stresses that his parting with 38-year-old Lynn is perfectly amicable.

"He is very much a leasing director and he said some time ago he wanted to pursue opportunities elsewhere. But I asked him not to leave while we went through the trials and tribulations of last winter."

Union was in takeover talks from last autumn until the spring when it succeeded in selling Winterflood Securities, which makes markets in smaller companies.

Now Blunden is still eager to retain Lynn's advice as the group unwinds its leasing business over coming months. Lynn had spent ten years at Union, the last four as finance director and previously worked for Baltic, the leasing group. Meanwhile Martin, who is a

chartered accountant, will be Blunden's "extremely active number two", particularly involved in the evaluation of new business. "I am absolutely useless at accounts" says the one-time SG Warburg bond dealer.

Martin, 41, had been group finance director of County NatWest for two years from 1985 before moving to Baring Securities as chief operating officer responsible for group finance, operations and administration.

He subsequently took charge of the group's derivatives trading, sales and research, an area Union which is itself keen to develop. Martin stepped down when Baring Securities chief Christopher Heath resigned in March.

"Not a bad start for poor old Union Discount" says Blunden who wants to restore the discount house's battered reputation by making it known as "a place where bright people come". Last month the group acquired 51 per cent of risk management consultancy Guildhall, set up by Craig Earsley, the former head of fixed income trading and risk management from Mitsubishi Finance and George Nianias, former head of quantitative fixed income research at SG Warburg.

### ICI slims planning

The incredible shrinking headquarters of Imperial Chemical Industries continues to slim with the retirement of Trevor Harrison, general manager of planning, and the decision to abolish his post.

Other general managers' positions have also disappeared in recent months including those of Derek Rost, in charge of external relations, and Brian Hines, responsible for insurance and investments.

Harrison, a 54 year old chartered accountant, was with ICI 28 years and plans to use his retirement to travel, garden, play squash and improve his golf handicap which he says he has not taken seriously enough in the past.

John Dewhurst, presently acquisitions manager will become group planning and acquisitions manager, heading up the now much smaller planning department. He will report to Colin Short, finance director, who assumes board responsibility for planning and acquisitions.

In a separate move, Chris Harrison, one of the main board directors will take responsibility from next month for the regional businesses. Under him will be Ian Macfarlane, regional executive, who is also taking over as head of regional businesses in south

east Asia. Based in London, he is also responsible for Argentina.

As part of the restructuring of the Asian-Pacific organisation, Paul Schindler, chairman ICI China, is moving to Allied Signal, the US company, to become senior vice-president international.

The colourful John Chandler, managing director ICI Taiwan and a fluent Mandarin speaker, takes on Schindler's role, while keeping his former position.

Allan Pinne, retail manager, Mobil Europe, is being promoted to Fuels Marketing Director at MOBIL OIL; he succeeds Mike Churn who is moving to the marketing and refining division in Virginia.

Charles Holroyd has been appointed md of Redpoint, part of BOWTHORPE, on the retirement of Bill Wilkes.

Victor Mansfield, chairman of the specialty materials and technologies division, has been appointed to the board of MORGAN CRUCIBLE.

Richard Maitlhouse, previously group secretary of Del Monte Foods International, has been appointed group secretary at COOKSON on the resignation of Tim Ware.

Claire Phillips has been promoted to personnel director of Lunn Poly, part of THOMSON.

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Lotto's splendidly ambiguous portrait of a Venetian lady in all her finery clutching a drawing of the virtuous Lucretia

## Playful studies in ambiguity

William Packer reviews 'Pictures in Pictures' at the National Gallery

The play within the play, the book or poem within the book, or poem, is an ancient literary device by which the writer may stand back from the work that engages him, to see it at an arm's length. The visual equivalent of such things are common enough: paintings are to be found in painters' studios, on patrons' walls and church altars and we take them, perhaps, as read; yet they are no less rich than drama or poetry in suggestive possibilities, complex or blindingly obvious as they may be.

Not unreasonably, the second of the National Gallery's agreeably didactic series on pictorial themes and variations, illustrated from its own collections, is given over to them. At some 26 works the show is small, but wide enough in range, from Massys, Christus and Bellini to Degas and Cézanne, to make its several points.

Does it make a shade too much of them? Paintings were ever ambiguous things, yet their study does seem to attract the more literate-minded among us, and here they make holiday. A joke explained, after all, is no joke, and an irony worried over instead of savoured lightly is an irony worried to death. The

self-portrait is as ambiguous a subject as any, the purest solipsism, artist remaking himself as object, image, art. And here is Murillo at his most virtuosic, painting himself within a painted frame within the frame, save only that his hand emerges to grasp that second, internal frame, as it were to frame the joke. It is the nicest double-take, and should be left at that.

Here too is the splendidly ambiguous portrait by Lotto of a Venetian lady in her finery, jewels at her breast, her sleeves richly slashed, who holds before her a drawing of the virtuous Lucretia. Do we really need to agonise over the question of whether she herself was truly virtuous, or quite otherwise? Not really. More reasonable is the iconographical reading of the two Vermeers, of women respectively standing and sitting at the virginals, the one in a cool, pure morning light, the other in a richer, darker interior. The one stands before a Cupid who holds up a single card, the other sits before an identifiable game board. Both engage the viewer directly, the one with a quizzical, the other a more inviting gaze. The point is there to be taken.

In Hogarth's "Marriage à la Mode"

suite, such moralising is quite overt, gleefully, maliciously so, images of classical rape, conventional piety and low life at its grossest variously set to point the virtuous satire, as the Earl and his Countess sink by stages into the abyss. But even here the hints and references, though often quite particular in themselves, are marginal to the central narrative, wilfully half-masked or hidden in the shadows, as though little more than private jokes on the artist's part, the onus on us to notice them at all.

Is that, after all, as it still should be? I was certainly grateful to have pointed out to me, in the great Canaletto of the festive procession from the church of San Rocco, what might be Canaletto himself at the back of the crowd, seizing the moment to show off his own painting, opportunistically hung along with those of his contemporaries on the facade of the neighbouring Scuola, to prospective clients. The youthful Cézanne, too, takes as his subject one of his own works, or rather its stretcher, the canvas turned face to the wall and stacked behind the studio stool. Boilly's grisaille of a girl at a window is a virtuoso performance, presenting his own painting as though it were a print,

margin, mount and all.

But the most charming category of work is at once the most natural and the least minatory or moralistic. Artists have painted artists at work since ever they worked together in shared studios, or models were persuaded to sit to them. Grouped around the life model or still life, it is easy enough for the artist's attention to shift to the colleague, pupil or apprentice engrossed in the common matter at hand.

Vaillant's youth sits drawing from the cast after Michaelangelo; Metsu considers, with the greatest tenderness, a young woman as she addresses herself to a still-life spread out across a table. Saint Luke, in the character of Flemish master-painter sits at his easel in his studio, palette in hand, his materials on the stool beside him, his symbolic ox, as it might be his dog at his feet. It is by a follower of Massys... and of the master himself? Perhaps - but who can say?

Themes & Variations: Pictures in Pictures. The National Gallery, Trafalgar Square WC2, until September 18; supported by the Bernard Sunley Charitable Foundation

## Bath and Wessex Opera/Max Loppert

### Verdi and Britten

City of Bath Opera, launched two years ago, is now more grandly re-titled Bath and Wessex Opera, and its activities are expanding apace. All this week in the Bath Theatre Royal there are alternating performances of *La traviata* and *The Turn of the Screw*: this is the first attempt to put on two operas at one go.

The stated aims of this small company - most ambitious of the many "private" opera enterprises that have recently sprung up, founded by the producer-designer John Pascoe and the conductor Klaus Donath - are "international" casting and productions faithful to the letter of the text. Both were embodied in the Verdi, sung in the original language, yet it was hardly the result of their combination that made the performance so peculiarly affecting.

It was, rather, the acquisition of one of the world's tiny handful of "real" Violetta currently before the public, Nelly Miricioiu. This soprano, a Romanian now resident in this country for more than a decade, has for some strange reason never arrived at an established position of eminence in British opera that such great and special gifts should assure her. All of our opera intendants ought to drop in on the Theatre Royal this week, to remind themselves how Verdi singing of Mediterranean intensity, colour and musical grace, can sound.

We have had much of other kinds in recent times, but this abundant, intensely Italianate kind has been a particular rarity. Miricioiu's Violetta, as Londoners will recall from her

moving 1984 ENO portrayal (in good English) at the Coliseum, is achieved upon a wonderfully full, free yet fine-spun delivery of the singing line. Her control of portamento phrasing, tapering of dynamics (with soft high shadings of exquisite delicacy) and generously vibrant emotional attack are all characteristics of a noble tradition in the role - a tradition exemplified by fewer and fewer singers, which is why this particular exemplar deserves to be cherished.

She is a touching actress, who fits into Pascoe's cleverly designed costumes and David Myerscough-Jones's romantic scene-perspectives with easy authority, and who creates a relationship with Gordon Wilson's Alfredo (youthfully handsome, vocally callow but sensitive) in which all the basic points - illness, passionate response, awareness of age difference, access of moral courage, extremes of pathos and poignancy - are made without resort to outlandish or strenuously original effects.

In the Theatre Royal the constant glow of her womanly warmth made up for much that was less satisfying around it. Pascoe's production, traditional in the less distinguished sense, and Donath's stolid conducting of the Bournemouth Sinfonietta (dearly loud on occasion) suggested rather too often that this *Traviata* was international-opera-by-numbers, not an artistically serious ensemble performance. David Barrell's drily eloquent German senior and Penelope Walker's Flora regularly raised the tone; but the divertissement at Flora's party, complete with four Chippendale-style

body-builders decked with bulls' horns and Marion Tait and David Morse from the Birmingham Royal Ballet as guest-appearance dancers, lowered it considerably.

From this to the remarkably inventive Britten performance the following evening was a reassuring move in the right direction. No "international" names, perhaps, but notable British singing-actors - James Kelly (Governor), Nigel Robson (Prologue and Quint), Enid Hartle (Mrs. Grose), Sarah Pring (Miss Jessel) - who with telling accuracy and subtlety lock into their roles. The children, Paula Bishop as Flora and Ben Sutcliffe as Miles, are among the most troublingly vivid I have seen and heard: nervously alert, vocally true, quicksilver in their manipulation of governor and house-keeper.

Roger Vignoles, a celebrated recital-pianist now building an additional career as an opera-conductor, focuses the musical tensions with unforced tautness: in terms of an intimate yet dramatically forceful projection of this astonishingly spare, fertile opera-score there can be few better theatres in the country in which to play, sing or indeed hear *The Turn of the Screw*. With a precise, always subtly motivated use of a few curtains - underscored by side mirror-panels and trailing scarves for the ghosts - the producer, Paula Fuchs, and designers, Mr Myerscough-Jones and Andrea Carr, create layers of illusion, fantasy and dream through which the spectator moves as if spellbound.

Theatre Royal, Bath: season continues until August 14

## New music at the Proms

### Weir and Saxton

Judith Weir is unquestionably one of the most individual voices in British music today, composer of two widely acclaimed operas (the first, *A Night at the Chinese Opera*, almost a paradigm of what opera in the late 20th century can be), and an array of sharply focused, always fresh and original concert works. Yet her output so far contains relatively little orchestral music - only the chamber-sized *Isti Mirani Stelli* (1981) has real substance and engagement.

In Thursday's Prom Martyn Brabbins conducted the BBC Scottish Symphony Orchestra in the London premiere of Weir's *Musik*, *Untangled* from 1991. It was part of a curiously assorted programme that began with the Pas de Six from Britten's *Prince of the Pagodas* and Dvorak's Cello Concerto (Sophie Rolland the less than assertive soloist) and ended with Prokofiev's Seventh Symphony. Weir takes a Scottish folk melody and projects it through a series of transformations which are always oblique and teasing. The whole bustling process only lasts about eight minutes, though this, evidently, was a new enlarged version, and the music brings echoes of Janáček (in the jump-cut transitions) and Tippett (of *Midsummer Marriage* and *Selling the Round World*).

As so often with Weir the music itself exudes no positive personality. The charm, skill and distinction in her work stems much more from the art-

ful arrangements of the musical objects than from the flavour of the invention; the constantly diverting contexts, the unexpected continuities make up the expressive palette. Her method is at its most captivating in a theatrical context - hence the success of the operas and the tours de force of pieces like *King Harold's Saga*, where narrative conceits can be moved in; it is much harder to bring off in the more or less abstract world of an orchestral piece. *Musik*, *Untangled* is an effective concert filler, but Weir's eventual breakthrough as an orchestral composer will require a much broader, more ambitious canvas.

## Andrew Clements

Robert Saxton's strongly imagined, coherent and continuously vivid *Viola Concerto* came to the Proms the following evening - this was the work's first London performance, seven years after its 1986 Cheltenham premiere. A "face in the crowd" image is the nub of its argument: Saxton constantly places the viola, which he describes as "the most human instrument", at odds with a small orchestra expertly used to convey menace - hard-edged, coolly bated, or darkly immanent as may be, but always sharply contrasted in tone with the eloquently "human" utterances of the soloist.

Though Saxton does not specify the point, one might go further and divine in the

work's alienated drum-patterings, chilling piano arabesques and occasional harshly squealing high clarinets an "urban" subtext. The influence of Bartók's *Miraculous Mandarin*, that most extreme of 20th-century musical cityscapes, is everywhere: the dramatic contrasts of mood afford the music a graphic quality of which Bartók would not have been at all ashamed. He might also admired the formal orderliness of Saxton's four linked movements, in which the traditional demands of concerto form and a thoroughly modern sense of timbre and texture are smoothly reconciled.

In a way, there is something even a bit "pat" about the composer's smoothing over of joins, sanding away of all rough edges - Saxton's later orchestral works are bolder, freer with form. But the concerto is so assured, so gripping for the listener, and plainly so rewarding for a violist of Paul Silverthorne's calibre to play the work's inspirer and first soloist, that this hardly counts as serious criticism. No less plainly, the City of London Sinfonia under Richard Hickox were roused by it - as they had been, earlier in the concert, by Nicholas Daniel's gloriously witty, urbane, technically breathtaking account of the Strauss Oboe Concerto, but as they had not been by Rosini (*Turk in Italy* Overture, leaden) or Wolf (*Italian Serenade*, stodgy).

Max Loppert

## Cleveland Lyric Opera/Paul Griffiths

### Elusive 'Mrs Dalloway'

Creating an opera out of Virginia Woolf's novel *Mrs Dalloway* is a bit like trapping a cloud in order to make ice cubes: the material is there, for sure, but the process changes it out of all recognition. And there are easier sources of water. Nevertheless, Bonnie Grice, a novelist-journalist, insisted that the thing could be done, and managed to persuade first Michael McConnell, the director of Cleveland Lyric Opera, then Libby Larsen, the destined composer. A few years later, with a libretto duly supplied by Ms Grice, the piece provided this small, close company with its first full-length work premiere.

Of course it was impossible. plot in *Mrs Dalloway* is less important than character, and character considerably less important than method. What matters in the book is the sense of the simultaneity of unrelated things - simultaneity of thoughts, events, pur-

poses and flash moments, to all of which the narrative is mysteriously privy as it froths and bubbles on, a superior gossip. One can imagine a *Mrs Dalloway* symphony - the book itself seems to mimic symphonic form with its recurrent themes, distinct movements and passages of development - but not a *Mrs Dalloway* opera. No wonder a composer friend told Ms Larsen to steer clear. Instead she went on and did a workmanlike job. By the evidence of her output - which includes four other operas, as well as buckets of symphonies, chamber music and choral items, all from the last two decades - she is a workmanlike composer. Ms Grice's libretto provided a sentimental reunion (that of Clarissa Dallo-

way and Peter Walsh), a sentimental memory (of Sally Seton) and a sentimental melodrama (the suicide of Septimus Warren Smith, while his wife is arguing with his doctor). All of these Ms Larsen dutifully set, without any particular show of enthusiasm, for soloists accompanied by a small band with prominent percussion and electronic keyboards. The right buttons were pressed: expressionism and earnestness for Septimus, waltzes for love remembered and regretted, neoclassicism for civilisation, contortions of "God Save the Queen" for England. There was nothing wrong with any of it, and nothing right.

The presence of so many reflective solos suggested that

Ms Grice's conviction about the idea sprang from the misconception that a book of memory would lend itself to being told through aria. It failed to work because the pace of operatic reflection is so much slower than that of Woolf's prose, and because, without the narrative voice to rush and connect and poetise, what these people have to say is trivial. Even the counterpointing of the two main threads - Clarissa's life of poignant recollection and Septimus's imprisonment in memories of the Great War - was trivialised by being overstated, and by being baldly cut free from the wash of other characters and incidents the book needs for its tone and its technique.

The title character became a

rather frail and neurotic creature, perhaps for reasons that had to do with Mary Elizabeth Poore's performance than with the transmutation. If you have to sing to yourself about how wonderful life is, then things must be pretty bad. If you have only Ms Larsen's music with which to do it, you might as well take Septimus's escape route. In the opera, though, Septimus was a force, as musical madmen tend to be, and Gary Briggs was striking in the part: a strong lyric tenor with the rough grate of frayed emotions in his voice.

Ms McConnell's first reaction to Ms Grice's importuning was to counter that the book was a film, not an opera. However, Steven Perry's set - an interior with great curves and azure paint suggesting Paris rather than Westminster - offered little opportunity for the dis-

solves and cross-cuttings that the words and music were trying to realise.

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## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

Concertgebouw Tonight: Jorge Lopez piano recital. Thurs: World Youth Chorus and Orchestra in works by Poulenc, Grieg and Nystedt. Sat: Lev Markiz conducts New Sinfonietta in Mendelssohn and Mozart. Sun: Gidon Kremer is violin soloist with Asian Youth Orchestra. Next Tues: Dmitri Hvorostovsky. Aug 21, 25: Riccardo Chailly conducts Royal Concertgebouw Orchestra (24-hour information service 675 4411, ticket reservations 671 6345).

### ATHENS

Odeon of Herodes Atticus Tomorrow and Thurs: Peter Hall Company's English-language production of Aristophanes' *Lysistrata* (322 1459). Epidauros Sat and Sun: Euripides' *The Bacchae*. The final performances of the season are Aeschylus' *The Seven Against Thebes* on Aug 21 and 22. Tickets are available daily at the Athens Festival box office (322 1459) or

at Epidauros on Thurs, Fri and Sat (0763-22006).

### BUDAPEST

\* Tonight's ballet gala at the Hungarian State Opera opens a 10-day opera and ballet festival. There will be three opera concerts and two performances each of *Tosca* and *La traviata*. \* Budapest Festival Orchestra's summer concert series opens at the City Hall on Sat, and is devoted to works of the Bach family. The first six concerts are conducted by Ivan Fischer, and the final three by Jos van Immerseel. Performances are daily till Aug 23, except Aug 20. \* Eva Marton stars in a Wagner gala evening at Budapest Convention Centre on Aug 28, with the Hungarian State Symphony Orchestra conducted by Adam Fischer. \* Booking and information at National Philharmonia Office, Vörösmarty tér 1.

### CHICAGO

Ravinia Festival Tonight: Natalie Cole. Tomorrow: Los Lobos. Thurs: William Christie conducts Les Arts Florissants in Purcell's *Dido and Aeneas* and Charpentier's *Acton*. Fri, Sat, Sun: Christoph Eschenbach conducts Chicago Symphony Orchestra in three different programmes, including a concert performance of *Fidelio* with Nadine Secunde and Ben Heppner, and symphonies by Tchaikovsky and Mahler. Next Mon: Olaf Bär song recital. Next Tues, Wed, Thurs: Zubin Mehta conducts

Israel Philharmonic. The festival runs till early September. (Tel 312-728 4642 Fax 708-433 4582)

### COPENHAGEN

Tivoli Tonight: Kontra Quartet plays works by Grieg, Hornemann and Mozart. Thurs: Murray Perahia piano recital. Sat and Sun: Michael Schoenwandt conducts Tivoli Symphony Orchestra. Mon: Kurt Sanderling conducts European Community Youth Orchestra in works by Haydn, Beethoven and Schubert. Next Tues and Wed: Paavo Berglund conducts Chamber Orchestra of Europe. Aug 19: Cheryl Studer. Aug 20: Jessye Norman. The summer concert season runs till Sep 19 (3315 1012)

### LEIPZIG

This month's programme at the Gewandhaus includes a performance of Haydn's *The Creation* on Sat conducted by Enoch zu Guttenberg, a concert by Asian Youth Orchestra with violin soloist Gidon Kremer on Aug 20, Beethoven's *Missa Solemnis* performed by MDR Symphony Orchestra and Chorus on Aug 24, and a concert conducted by Krzysztof Penderecki on Aug 27. The Gewandhaus Orchestra opens its new season on Sep 9 (7132 280)

### LONDON

THEATRE \* Time of My Life: a serious new play by Alan Ayckbourn, with Anton Rogers and Gwen Taylor (Vaudeville 071-856 9967) \* Here: new play by Michael Frayn,

directed by Michael Blakemore, about two people who move into an empty room and start to construct their life together (Donmar Warehouse 071-867 1150)

\* As You Like It: David Thacker's highly praised RSC revival of Shakespeare's comedy, in repertory with *Antony and Cleopatra*, *The Taming of the Shrew* and *The Winter's Tale* (Barbican 071-638 8891)

\* Arcadia: Tom Stoppard's new play, a multi-layered comedy starring Felicity Kendal. In repertory with *The Madness of George III*, Alan Bennett's award-winning history play starring Nigel Hawthorne (National, Lyttelton 071-928 2252)

\* Separate Tables: Peter Bowles and Patricia Hodge in Peter Hall's production of the Terence Rattigan double bill about hotel guests trying to come to terms with age and loneliness (Albany 071-867 1115)

DANCE Royal Festival Hall English National Ballet winds up its season with Frederick Ashton's production of Prokofiev's ballet *Romeo and Juliet*, daily till Sat (071-928 8800)

Queen Elizabeth Hall Tomorrow: Prague Festival Ballet, a young independent company founded and directed by David Slobaspycky, gives one London performance after its recent British tour. The programme is a triple bill including two new works - *Serenade* choreographed by Alice Necseu to music by Eugen Suchon, and *Love Lessons* choreographed by Slobaspycky to music by Manuel Ponce and others. Thurs: Travelling Festival of India grand finale (071-928 8800)

### BBC PROMS

Tonight, Claus Peter Flor conducts Philharmonia Orchestra and Chorus in works by Mendelssohn, Bartok and Szymanowski, with piano soloist Stephen Hough. Tomorrow: David Atherton conducts BBC Symphony Orchestra and Chorus in works by Ravel, Poulenc and Stravinsky. Thurs: Jiri Bielek conducts BBCSO in Brahms, Zemlinsky and Mahler. Fri at 19.00: Peter Maxwell Davies conducts BBC Philharmonic in his Second Symphony, plus Beethoven's Fourth Piano Concerto with Barry Douglas. Fri at 22.00: Jane Glover conducts BBC Singers in Brahms and Schubert. Sat: James Loughran conducts National Youth Orchestra of Scotland in first London performance of Thomas Wilson's *Violin Concerto* (Ernst Kovacic). Holst's *Planets*. Sun: Andrew Davis conducts BBCSO in Takemitsu, Tippett, Mozart and Strauss, with piano soloist Nicolai Demidenko. Next Mon: Franz Welser-Möst conducts LPO: Bartok, Dvorak, Brahms, with violinist Frank Peter Zimmermann. Aug 18: Kurt Sanderling conducts Brahms and Rakhmaninov. Aug 23, 24: Mariss Jansons conducts Oslo Philharmonic. Sep 10: Last Night of the Proms (Royal Albert Hall 071-589 8212)

### ROTTERDAM

De Doelen Tomorrow: World Youth Chorus and Orchestra. Rakhmaninov, Penderecki, Grieg and Poulenc, with piano soloist Laif Ove Andnes. Sat: Kurt Sanderling conducts European Community Youth Orchestra: Rakhmaninov, Brahms. Mon: Gidon Kremer is violin

soloist with Asian Youth Orchestra (217 1717)

### WASHINGTON

THEATRE \* Shadowlands: a love story by William Nicholson based on the life of C.S. Lewis and his American wife. Opens tonight, till Sep 5 (Olney Theater 301-924 2739) \* Down the Road: Lee Blessing's psychological drama examining America's obsession with violence. Till Aug 28 (MacDougal Street Repertory Company at District of Columbia Arts Center 301-608 2440) \* A Simple Heart: an adaptation by a French-American theatre company of Flaubert's tale of a maid's selfless love. Till Aug 22 (Le Neve 703-243 6366) \* The Phantom of the Opera: Andrew Lloyd Webber's musical, directed by Harold Prince. Daily except Sun till Aug 28 (Kennedy Center 202-467 4600)

### MUSIC

Wolf Trap Tonight, tomorrow: Temptations and Four Tops. Thurs: Willy Nelson and family, American country music. Fri, Sat: Mary-Chapin Carpenter, folk/country. Sun: Ray Charles (1624 Trap Road, Vienna, Virginia, 703-218 6500)

Blues Alley Jazz Supperclub Daily till Sun: Les McCann and Eddie Harris Quartet, piano/sax. Aug 26-29: Freddie Hubbard Quintet (1073 Wisconsin Ave, in the alley, 202-337 4141) Merriweather Post Pavilion Tonight: Sharon, Lois and Bram. Sun: Deep Purple. Next Tues: Beach Boys. Next Wed: BB King. Aug 30: Jethro Tull, Procol Harum (301-992 1800)

## ARTS GUIDE

Monday: Performing arts guide city by city.

Tuesday: Performing arts guide city by city.

Wednesday: Festivals Guide.

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European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730, 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030, 0130

Friday Super Channel: European Business Today 0730, 2230

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Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130, 2230

Sunday Super Channel: West of Moscow 1630

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230, 0530

Sky News: Financial Times Reports 1330, 2030



Authoritarian governments do one thing best: they teach people to take orders, and to like it. Nowhere is the habit of subservience more damaging than in the newsroom of the state broadcaster. Until four years ago, few broadcasters anywhere in the former totalitarian world could rival the South African Broadcasting Corporation (SABC) for slavish adherence to the ruling party line.

Now the SABC has a new chairman who is black, a woman and anything but a supporter of the National party. In a society which has been moulded almost as much by male chauvinism as by racial discrimination, the appointment of Mrs Ivy Matsepe-Casaburri is a seminal event. She will be at the helm of an institution which has served as a loyal handmaiden to the National party since it took power in 1948 until the day, four decades later, when it decided to end apartheid.

Mrs Matsepe-Casaburri will occupy one of the hottest seats in the country. With South Africa's first multiracial elections expected next year, all political parties agree that an independent SABC is crucial to a fair poll. Within months, the corporation is to come under the scrutiny of an Independent Media Commission, chosen by the parties to constitutional negotiations, and charged with ensuring fair election coverage.

But there are signs that the SABC itself is preparing, not for independence, but for a new kind of servitude. "The king is dead; long live the king," South African political columnist Denis Beckett, writing in the Johannesburg Sunday Star, quotes this well-worn phrase to highlight his worries that SABC staff are already shifting their allegiance from one political master to another: from the National party to the ANC. Indeed, they seem to share the country's confusion over who is really in charge, obeying both masters by turns but never acting independently.

The coverage of events surrounding the assassination of Mr Chris Hani, the African National Congress guerrilla leader, was a case in point: SABC television aired what can only be described as a hagiographical portrait of Mr Hani - a man demonised by the National party - and allowed the ANC to dictate some of the coverage surrounding his death.

On the eve of a national day of mourning, SABC-TV agreed

## New faces on the box

Patti Waldmeir on changes in South African broadcasting



to broadcast on prime-time news a three-minute appeal for calm from Mr Nelson Mandela, ANC leader. When Mr Mandela delivered an eight-minute pre-recorded video, the TV editors halved it, to howls of outrage from the ANC, which insisted it be broadcast again in full. The SABC complied.

SABC editors insist they were acting in the national interest in bowing to ANC pressure. But as media lawyer Mr David Dison points out, the SABC understands the national interest to mean the interests of the government of the day - or in this case the government in waiting.

For in the old South Africa, government always knew best. Prof Gavin Stewart, head of the school of journalism at Rhodes University, believes that religion as well as politics conspired to create a sycophantic culture at the SABC. "That's built into the Calvinist culture [of the Afrikaners] - you believe your leaders are ordained by God, and you can't help but pass on that attitude to the new leaders."

In any event, the news culture of the SABC has improved since President P.W. Botha left office in 1989. He personally interfered in its news coverage on a regular basis. The ANC and other black political organ-

isations, banned by Pretoria, were never heard on air. Since Mr Botha's departure, ANC speakers appear almost nightly, along with representatives of the far left and right. And SABC staff say they no longer receive direct telephone calls from the president.

But SABC news continues to reflect undue deference to the presidential viewpoint. One example, of central importance, was the SABC's coverage of the appointment of its own new board of governors. The appointment provoked a political dogfight between the ANC and the government, after President de Klerk twice vetoed the list of 25 board members recommended by an independent panel of jurists.

But rather than reflect this dogfight on TV, by pitting Mr de Klerk against an ANC representative in live debate, SABC chose to give the president an easy ride from a tame interviewer, who did not even ask the president why he had vetoed the panel's black nominee as chairman. Professor Njabulo Ndebele, in favour of a white Afrikaner, who subsequently resigned in protest. Mrs Matsepe-Casaburri, who was previously deputy chairman, was finally appointed last week as chairman as a compromise candidate.

But if the president emerged from the SABC board fiasco looking like a brute - he forced the replacement of several ANC-leaning nominees by anonymous Afrikaners of questionable credentials - the ANC looked scarcely better. Despite the fact that ANC officials had agreed that the president should have final veto over nominees, they claimed foul play when he used it.

Over time, the board may succeed at building credibility. But no board, however pure, can revolutionise overnight the culture of an organisation with 5,000 employees, 22 radio stations, 12.5m radio listeners and 8.5m daily viewers for its three television channels.

The ANC has called for an "iron broom" to sweep Afrikaner dominance from SABC newsrooms; and important changes will need to be made at the top, where virtually every senior editorial post is held by an Afrikaner male. The new board has started to address this issue. Affirmative action policies will be pursued. Priority will be given to blacks in filling top and middle management posts that fall vacant in the next 18 months.

But it may be easier said than done. With the SABC as monopoly broadcaster for 37 years, there are few trained broadcasters who did not grow up in the culture of the SABC.

That monopoly is now expected to end, with the SABC likely to be unbundled. Commercially viable channels and radio stations could be sold off to private shareholders by a new government. Political parties have agreed that broadcasting in the new South Africa would be regulated by a new independent broadcasting authority, which would allocate many new radio licences to outside broadcasters, and possibly create a commercial TV channel.

Deregulation will naturally multiply the number of independent news sources, and reduce the potential for government control. But broadcasting experts say the market may be too small to support another commercial television station, meaning the SABC would remain in effective control of TV. If it remains a monopoly, the risk is that a new government - faced with the political instability expected to plague the first years of the new South Africa - would eventually be tempted to abuse the SABC again. With that in prospect, viewers would do well to enjoy the present Prague spring: the SABC may never be so free again.

## The chancellor's dilemma: an inside view

# Oil's disappearing act



One cause of our present borrowing problems that has received too little attention is the extraordinary and unexpected disappearance of tax revenues. Some of this can be attributed to the recession. But the recession cannot be blamed for the reduction in the share of national income that is taken in tax from 42% per cent in 1985-86 to 36 per cent predicted in March for 1993-94. That 6 per cent difference is worth over £35m. It has made a significant contribution to the emergence of our £50bn borrowing problem.

In a buoyant tax system, where revenue tends to rise and fall more than proportionally with national income, a recession may reduce the revenue share. But this explanation cannot account for the decline in the revenue share since 1985-86, since money incomes (and real incomes) are, despite the recession, still well above their 1985-86 levels.

No, the most important single cause of the falling revenue share is the 1986 collapse in the oil price and the subsequent decline in oil production. The resulting loss of revenue was initially disguised by a surge in corporation tax (and other) revenues in the boom of the late 1980s. It has become apparent as other sources of revenue, notably corporation tax, have dried up in the recession of the early 1990s. On this view our present revenue shortfall is deep-seated and structural.

Oil has gone out of the news, and people now forget that Britain's North Sea revenues have been the single most important influence on the public finances since the mid-1970s. They rose from nothing to just under 4 per cent of gross domestic product in 1984-85, and have since fallen back to pre-Thatcher levels. There was a virtually

instantaneous loss of oil revenues worth nearly 2 per cent of GDP when the oil price plunged in early 1986. That revenue has never been replaced.

Why did the government not act at once to replace what was (in today's money) a £12bn revenue loss? The short answer is they didn't need to because the great boom of the late 1980s increased the yield of other taxes, most notably corporation tax. The unexpected increase in corporation tax revenues from 3 per cent to 4 per cent of GDP covered the loss of oil revenues for a while. Their equally unanticipated disappearance in the early 1990s recession has now exposed the problem.

The corporation tax rollercoaster is easy to explain with hindsight. The Lawson reform of 1984 had made the UK tax rate one of the lowest in the world, and international companies, which always have some discretion in their internal transfer pricing, chose to take the profits in the UK. So the UK government, by taxing at a low rate, effectively bid away tax revenue from other countries. Of the 6 percentage point fall in the government's revenue share since then, two components stand out: the loss of oil revenues accounts for half the shortfall; income tax and National Insurance (NI) for another quarter.

These figures underline the central message of this analysis, which is that today's problems have their origins in a surprisingly distant event, the 1986 collapse in the oil price, a fact that was concealed from us by the behaviour of corporation tax revenues. They also suggest that the tax cuts of 1987 and 1988, the NI reform of 1989, and the introduction of Peps, Tassas and independent

capital allowances. Instead of writing off investment in a single year, we moved to a 25 per cent reducing balance system. Initially that produced a sharp fall in the value of allowances (and rise in the corporation tax yield) but over time, as the value of allowances has climbed back to its original level, the tax yield has fallen.

A further factor was the increased investment of the late 1980s. That boosted the total value of allowances, which were carried over into the recession, enabling companies to set still-larger allowances against shrinking profits. The effect was magnified by the concession made in the 1991 budget, enabling companies to set tax losses against profits earned up to three years earlier.

The rise in corporation tax revenues clearly contributed to the fiscal optimism which underpinned the tax cuts of the late 1980s. Its fall in the early 1990s has aggravated the existing deficit in the public finances. But if we compare tax revenue this year with the level in 1985-86, the share of corporation tax is unchanged. Of the 6 percentage point fall in the government's revenue share since then, two components stand out: the loss of oil revenues accounts for half the shortfall; income tax and National Insurance (NI) for another quarter.

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taxation for women have eroded income tax revenue to an extent that now appears unsustainable.

Before leaping to the conclusion that the tax cuts were wrong, we should remember two salient facts. First, and most surprising, the 6 percentage point reduction in the tax burden since 1985-86 has only brought it back to the level that Mrs Thatcher inherited from Labour in 1979-79. The main energies of the first Thatcher administration were directed to reducing borrowing, notably by means of the tax increases in the famous 1981 Budget. That, plus the new oil revenues, secured a 6 point rise in the tax burden in the first three Thatcher years.

Those tax increases were reversed in the late 1980s against a background of public spending restraint (the second salient fact) which drove down its share of GDP from a peak of nearly 47 per cent in 1984-85 to 39 per cent in 1988-89. The loss of oil and income tax revenue did not matter as long as it was matched by the fall in the public spending ratio.

Today's problems arise because the loss of revenue has proved permanent while the fall in spending has been reversed. Since it will be difficult to get spending down again, taxes have to go up. The government's misfortune is that the revenue from "invisible" taxes with a low political profile (oil royalties, Petroleum Revenue Tax, corporation tax) has now to be replaced with much more visible (and therefore unpopular) tax increases. It is all part of the process of adapting to life without our North Sea riches, a theme to which I shall return next week.

Bill Robinson

The author is former director of the Institute for Fiscal Studies and was a special adviser to the former chancellor, Mr Norman Lamont.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### A better way to save on energy bills

From Mr Geoff Stephenson.

Sir, "Advance payments could avoid VAT on fuel bills" (August 7). If energy consumers have cash to spare for such payments they would be far better advised to spend it on energy efficiency improvements at home - thus saving themselves far more than the 8 per cent VAT this year, next year, and for ever more.

An investment of £1,500 in the right combination of house insulation, draught proofing, heating controls, low energy lighting and a more efficient boiler could save a typical householder 30-50 per cent of their energy bills - enough to pay the VAT and still have change.

And if all the energy and not air devoted by populist politicians in attacking VAT on fuel had been devoted to the cause of energy efficiency, we'd all be better off, with lower fuel bills and less environmental damage.

Geoff Stephenson, Chalk Lane, 12 Pond Close, Harfield, Middlesbrough UB9 6NG

### Local efforts too often ignored in delivery of emergency aid

From Mr Nicholas Hinton.

Sir, Edward Mortimer's review of Jonathan Benthall's book, *Disasters: Relief and the Media* (August 6), describes a list of familiar characters who appear on the scene during news coverage of emergencies overseas. Among "the hero, the villain, the dispatcher and the donor" was a striking omission: the local people.

Local relief workers are almost always the greatest contributors to the provision of emergency relief. The resources may have to come from outside (though not always) but those who deliver them on the ground - who drive the convoys, run the feeding centres, staff the refugee camps and provide health care - are usually national staff from the country concerned. Even in Somalia, where national structures have collapsed, relief programmes have been crucially dependent on brave, committed, qualified Somali staff.

Unfortunately, even the best of the Western media tend to be blind to these efforts. The "media construct" described by Mr Benthall is a template

applied without discernment by reporters and editors who "know" what the public will identify with - the "hero" (or, equally, the "villain"), a white Westerner, a woman, looking caring and concerned against the background of starving children or miserable refugees.

The overall impression created is one of helplessness and pathetic dependence among the local people, contrasted with the active, even "flamboyant" generosity of Westerners. This can be damaging, not just for the image of the Third World and its people which the public receives, but also for its direct consequences for the relief and rehabilitation programmes.

It encourages a type of aid delivery which government departments, anxious to be seen to act swiftly, are increasingly anxious to fund. This is to parachute Western workers, materials and delivery structures into a foreign country, ignoring not only the local context but also the local capacity for meeting the crisis. National professional people, many of them highly trained and qual-

fied, find they have no influence over an expenditure of massive resources from outside which may be inappropriately targeted.

When the international agencies depart (not coincidentally, soon after the last of the TV cameras) nothing will have been done to strengthen the ability of the local people to go on meeting the needs of a disaster which may have repercussions lasting many years.

The journalists who cover these situations are compassionate men and women whose reporting is frequently motivated by humanitarianism. But their hope that by reporting a need they will produce the right kind of action is often too simplistically applied. The style and content of the reporting will influence the style and content of the response. It is time for creative journalists - and, more importantly, their editors - to break the disaster-reporting mould and think again.

Nicholas Hinton, general secretary, Save the Children Fund, 17 Grove Lane, London SE5 8RD

### Expected benefits of Uruguay Round may not materialise

From Mr Colin Hines.

Sir, Richard Blackhurst (Letters, August 9) reinforces the uncritical assertions made by countless commentators and the media that the signing of the Uruguay Round will result in an income gain of around £200bn. The implication is almost that 12 months after the ink is dry the benefits of such an order will accrue. The reality of the actual study and the opinions of its critics are very different.

The much quoted \$300bn figure comes from a 40-page OECD study which the organisation's secretary-general, Jean Claude-Paye, has called a "pretty theoretical study". He was also highly critical of the way the media had made extensive use of the figure while ignoring the corollary that it would take ten years to achieve the gains and that some nations, particularly in the developing world, would be hurt.

In a similarly critical article on the study, the Wall Street Journal quoted the authors

themselves as saying that "they've been misunderstood and that people are hoping for the moon". It has also been admitted that the model used was not an economic forecast model and so could not answer questions about what effect the conclusion of the round could have on the current world recession.

At the end of the day, of course, the real question is not how many computer estimates can you get on a pinhead, but what the actual effects of a General Agreement on Tariffs and Trade Uruguay Round will be for the world's poor, its unemployed and for the environment.

Outside computer programmes and in the real world, people are increasingly aware that it will make things worse. Their growing response is perhaps best encapsulated by the Indian slogan of "Home Rule Not Gatt Rule".

Colin Hines, 11 Park House Gardens, East Twickenham, Middlesex TW1 2DF

### Right step to convergence

From Prof Georges de Menil.

Sir, The six MIT economists who called for an early burial of the EMS (Personal View, July 29), bolstered their argument by a dramatic analogy to the policies of the 1930s. They equated "hanging on to the D-Mark" in 1933 with "hanging on to gold" in 1931.

There are, however, many lessons in economic policy to be drawn from the Great Depression. Surely one of them is that competitive national

devaluations are not an effective path to full employment. What Europe needs is not to bury the EMS, but to restructure it and restore its efficacy as a system that encourages policy convergence. The August 1 agreement to widen the bands could prove to be the first step.

Georges de Menil, professor of economics, DELTA, 48 Bd Jourdan, 75014 Paris

### Vehicles not so polluting

From Mr Geoffrey Pelling.

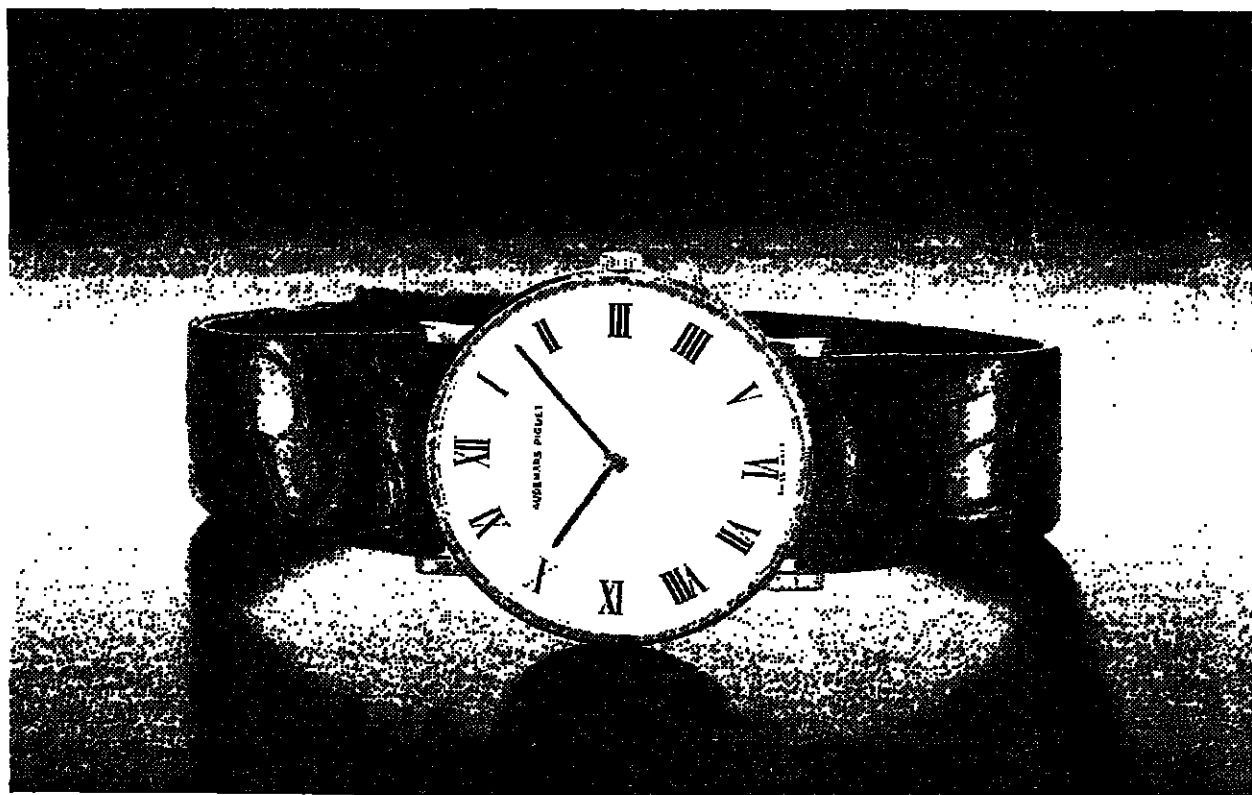
Sir, Your report "Roads bring growing tensions to Whitehall" (August 6) contains a seriously misleading statement about "traffic fumes". These were to be the fastest growing factor in air pollution. The fact is that noxious vehicle emissions are now declining because of the introduction of catalytic converters.

This is recognised by the Department of the Environment which, in its recently issued consultation paper on

"sustainable development", stated that tighter emission standards introduced in 1993 for new vehicles, together with tighter checks on older ones, should lead to a steady improvement in air quality to the end of the century and beyond.

Geoffrey Pelling, deputy chief executive, Society of Motor Manufacturers and Traders, 100 Whitehall, London SW1A 2DS

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## FINANCIAL TIMES

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Tuesday August 10 1993

## Soft on the hard Ecu

THE BRITISH proposal for a hard Ecu, originally put forward by Mr John Major when chancellor in 1990, was not without its merits. But whether it will become more than a marginal talking point again in the aftermath of the near-terminal upheaval in the exchange rate mechanism seems altogether questionable.

The case for a parallel currency which would never depreciate against any existing currency within the ERM was originally made in the context of a very powerful impetus towards economic and monetary union. While the Maastricht timetable for ERM remains theoretically intact, monetary union inevitably looks more remote after recent events. The D-Mark - a softer option than the hard Ecu - has anyway proved too much even for the *franc fort*. In short, the problems of the EC after Maastricht are not ones to which the hard Ecu looks relevant. The important thing now is to ensure that Europe gets its larger priorities right.

The first essential is to absorb the message implicit in the ERM's loss of credibility in the markets. The pressure on the system came mainly from the idea that the attempt on the part of France and other countries to retain a fixed relationship with the D-Mark in the period of German unification was doomed to failure. With Germany running a combination of tight monetary policy and lax fiscal policy, the ERM became a mechanism for transmitting a needless recession across Europe. Macro-economic stringency was

thus added to the micro problems of Europe's over-rigid labour markets. The resulting upward pressure on unemployment numbers raised doubts about the political commitment to a hard ERM, notably in France.

On this the markets judged better than the politicians. And in seeking to establish what can be salvaged, it is important to recognise that the level of interest rates appropriate for the German economy is unlikely to make sense for some time to come. It follows that any response to the ERM debacle that involves the French government in seeking a swift dash for monetary union would simply compound the damage. It would also perpetuate the chief political error in the Maastricht process, whereby the integrationist instincts of Europe's political elite ran far ahead of public opinion.

It seems unlikely that such a move would anyway appeal to Germany, where opinion polls suggest considerable hostility to the loss of the D-Mark. Nor will an early narrowing of the ERM bands amount to much more than an invitation to market participants to test the resolve of the central banks once again. The more pressing need is for some wider rebalancing of economic policy. A more responsible German fiscal policy will no doubt take time. But the Bank of France's decision yesterday to cut short-term rates by a quarter of a point was a modest but useful step in a sensible direction, a lot more of the same is required.

## Leaving school

POTENTIALLY the most valuable innovation of last week's report by Sir Ron Dearing on the national curriculum in England and Wales was the announcement that he is to consult until the end of the year on changes to education from the ages of 14 to 19. His big idea is that the age 16 need not have any great educational significance. In the UK's main competitor countries, after all, 14 is more important. At this point, children embark on courses which are designed to keep them in full-time education until the age of 18 or 19.

This runs against the traditional British educational culture, where 16 is regarded as the standard leaving age, and academic A-levels are the educational "gold standard". But disquieting international comparisons released last week by the Department for Education suggest that Britain's focus on academic education to the age of 16 encourages children to leave school early. In 1990, only 40 per cent of the UK's 16-18-year-olds stayed in full-time education. This was the lowest figure for any of the countries surveyed: the German rate was 88 per cent.

In other European countries, national curriculums are narrow and their purpose is to ensure that all children study at least a core of essential academic subjects. Some will add to that core academic subjects for a career in higher education. But others will concentrate on vocational education. Unfortunately, the national curriculum in England and Wales has

had exactly the opposite effect. It accounts for too much of pupils' time to allow worthwhile vocational courses. Technology covers several technical disciplines, and does not allow children to develop specific skills.

Britain's problem seems to be that it does not motivate children, who by 14 have already lost any interest in academic subjects. A programme of vocational education could give them extra confidence, along with worthwhile skills and work habits.

The government has made several changes to vocational education. General National Vocational Qualifications are now to be called "vocational A-levels" and are proving popular with 16-year-olds. Further education has been released from local education authorities, and has been given extra funds for expansion.

But the changes have lacked focus, and what is most needed is a change in culture. Reform of vocational education need not be a controversial matter. It has steady backing from employers, and enjoys the support of teachers' unions, and of the Labour Party. High unemployment has also helped the chances of engineering a cultural change. With limited job opportunities available, youngsters are getting into the habit of staying in full-time education for longer. If the right courses are introduced, they might continue to do so even when the job market is buoyant once more. The opportunity is there to be grasped.

## Profits, please

WITH THE UK recession now over, British companies seem to have come through it in remarkably good shape. The profitability of those which have survived is of much higher order than at the end of the last recession. Their investment is holding up, as is their capacity utilisation. Despite higher margins, they remain more competitive in world markets than a decade ago. With a recovery under way, might it not be plain sailing from now on?

Perhaps, but not necessarily. As the latest Bank of England Quarterly Bulletin suggests, the most significant change in British commercial life over the past decade has been in the relations between employer and employee. The driving force behind higher margins has been rising productivity, combined - latterly - with surprising wage restraint. But the implied shift in the balance of power between labour and capital cannot be unconnected with the endemic rise in unemployment over the past decade, and its future direction is uncertain.

Granted, the shift has benefited workers and shareholders alike. As the Bulletin reminds us, the share of profits paid out in dividends doubled during the 1980s. This did not stop the real wages of UK workers rising rapidly in the same period: the losers were those whose jobs were sacrificed in the cause of higher productivity.

But the rise in dividends also meant that retained profits - that is, profits available for re-investment - were no higher in relation

to GDP in this recession than in the last. Though investment was higher, it was funded by debt: a fact which may have made companies more conservative.

Moreover, the rise in UK profitability over the decade owes much to the more recent inclusion of the privatised utilities. Exclude those, and the remaining companies which make up Britain's shrunken export-orientated manufacturing industry still make a meagre return by international standards. But unless more capital can be attracted to the traded goods sector, Britain is unlikely to correct its trade deficit. And unless manufacturers can make higher returns, they cannot keep both workers and shareholders happy and have profits left to reinvest.

Whether the outcome is the rosy scenario - a sustained rise in export margins - will depend on how the government and wage-bargainers react to recovery. The UK government has staked the remnants of its credibility on its inflation record. The news that UK factory gate prices rose last month by 4.1 per cent may sound unsettling in a supposed low-inflation environment.

If companies are to improve their margins, they must be allowed to raise their prices faster than their costs. At present, the devaluation of sterling gives British industry that opportunity. But if the government takes fright and seeks to push sterling up, or if wage-bargainers try to offset higher prices with higher wages, then it will not be plain sailing.

In her central Paris apartment, Mrs Ewa Szpicer sits composing letters to finance ministers, company chairmen and bankers, demanding support in her battle against the occupiers of her land in the Polish port of Gdansk.

Her principal targets are Saur, the French water company, and Orbis, the Polish state tourist organisation, which, she alleges, operate on land confiscated from her family by the Nazis in 1939. There are, in her eyes, other villains too. Chief among them is the European Bank for Reconstruction and Development, which is considering funding further Saur projects in Gdansk.

For Mrs Szpicer, a 70-year-old Jewish grandmother, the emotionally charged letters in English, French and Polish are an attempt to gain one small victory on behalf of her younger brother, Marek, and other family members who died in the Holocaust.

To the recipients of her letters, her struggle highlights the hazards of doing business in eastern Europe. Property owners and their heirs, dispossessed by the Nazi or communist authorities, can emerge to upset the most carefully considered investment plans.

Mrs Szpicer's campaign began in January last year when she saw a small item in a US news magazine quoting a Polish official who said the country would return property confiscated from Jews during the second world war.

She asked Mr Jerzy Lipski, a Gdansk lawyer, to investigate what had happened to two properties that her father, a Warsaw timber merchant, had purchased in 1922.

Mrs Szpicer and her brother inherited the Gdansk properties when her father died nine years after he acquired them. As the site of two apartment blocks, the properties provided the family with a rental income until the war.

With the Nazi occupation of Poland, the Szpicer family were split up. Mrs Szpicer and her mother evaded capture by posing as non-Jews in different parts of Poland. Marek died in the Warsaw ghetto uprising of 1943. After the war, Mrs Szpicer made her way to Paris, where she was reunited with her mother.

Mrs Szpicer has never returned to Poland. It did not occur to her to reclaim the land until she saw the US magazine article.

Mr Lipski reported that the apartment blocks were gone. The properties had been nationalised after the war.

The first property, a 136 sq m site, was now covered by part of the high-rise Hevelius hotel, operated by Orbis, which had acquired a lease on the site in perpetuity from the Gdansk provincial government.

The second property, covering 333 sq m, was now owned by the city of

Michael Skapinker on a Polish woman's campaign to win back property confiscated by the Nazis

## The struggle of the dispossessed

Gdansk and formed part of the local waterworks.

It was the discovery that the city of Gdansk was busy attracting foreign finance to upgrade its water system that set Mrs Szpicer off on her letter-writing campaign. Why should foreign companies profit from land confiscated by the Nazis, she asked. And shouldn't guests at the Hevelius be aware of the history of some of the land under the hotel?

At the beginning of last year, Gdansk transferred the management of its drinking water and purification system to a company controlled by Saur, a wholly owned subsidiary of Bouygues, the French construction and engineering giant. Saur was granted a 51 per cent stake in a company called Saur Neptun Gdansk, which had the right to operate the water system for 30 years. The remaining stake was held by the city of Gdansk.

Mrs Szpicer accepts that it would be impractical for the water company to return her land. Her aim is to receive compensation.

She wrote to the city authorities, telling them that part of the joint venture's facilities were on her land. The city brushed aside her request for compensation. Ms Maria Malkowska, a member of the Gdansk city governing board, says there is no prospect of the municipality meeting Mrs Szpicer's demands. She says: "We are simply not considering such claims."

Mrs Szpicer wrote twice to Bouygues. Last November she received a reply from Mr Bernard Devalan, Saur's director general, saying she should go back to Gdansk municipality, the only authority competent to deal with her claim.

Mr Jacques Sennepin, Saur's deputy managing director and the head of the company's foreign operations, says: "It's an awful case. Unfortunately, there are many cases like this. But we have no power to do anything."

Last December, Mrs Szpicer read in Les Echos, the French newspaper, that the EBRD and a group of Scandinavian companies and government organisations were planning to help finance the upgrading of Saur Neptun's water purification system.

Over the next seven months she wrote six increasingly fraught



Polish property ownership has been confused since Germany's '39 invasion

letters to Mr Jacques Attali, then the bank's president, asking how the EBRD could fund a company in possession of land confiscated by the Nazis. She asked him to withhold bank money until Saur Neptun had settled with her.

Mr Attali replied twice. His tone was sympathetic but his message was clear: the bank could do nothing. He wrote: "I understand the sentiments which drive you... I would particularly like to avoid answering so personal letter as yours with the coldness of a bureaucratic response."

However, the financial participation of the bank in the reconstruction

of the water purification system of Gdansk does not permit it to intervene on your behalf with the municipality, the only body competent to settle your dispute."

The EBRD says that the replies to Mrs Szpicer from Mr Attali, who resigned earlier last month after criticism of lavish spending at the bank, remain its policy.

Mr Josue Tanaka, deputy director of the bank's infrastructure department, says he does not think the project, an Ecu85m investment in waste-water collection and treatment, was on Mrs Szpicer's land. He says the bank's legal advisers said it could take no action on Mrs

Szpicer's behalf. This is because its funds would go to a company set up to finance the project rather than to the operating company.

Mr Tanaka expects the bank to finance 90 per cent of the cost of the project. Other investors are expected to be Saur, the Gdansk local authorities and a group of Scandinavian investors headed by the Kruger Group, the Danish environmental protection and energy company. Kruger wrote to Mrs Szpicer last April saying it could not help her, as the company's involvement in the project would not give it any control over her property.

The other Scandinavian investors are expected to be the Nordic Environment Finance Corporation, which is funded by the governments of Denmark, Norway, Sweden, Iceland and Finland, and two Danish government bodies. The three organisations say they cannot comment on Mrs Szpicer's case.

Mrs Szpicer wrote five times to Mr Theo Waigel, the German finance minister and former chairman of the EBRD board of governors. Yesterday she received a reply from Mr Waigel, saying that while he regretted what had happened to her family under the Nazis, he was no longer chairman of the EBRD governors and was unable to help her.

Mrs Szpicer dismisses the argument of the EBRD and its fellow-investors. She argues that, as the bank's founding agreement commits it to respect human rights, it should not provide funds to a company in possession of land acquired as a result of earlier human rights violations.

She has made some progress with Orbis. Earlier this year she wrote to Mr Paul Dubrule, chairman of Accor, the French hotel group, asking for his help. Accor has no connection with the Hevelius. Orbis, however, runs six hotels in Poland under franchise from Accor. Accor also runs a small tourist company in Paris jointly with Orbis.

Mr Dubrule instructed some of his senior executives to see what they could do. Last April, Mr Michael Flaxman, the regional director responsible for Poland, wrote to Orbis saying Accor hoped a solution could be found. On May 4, Mr Lipski was told by Orbis that the organisation hoped to present proposals for a settlement in two instalments. Orbis has still not presented its proposals.

Ms Maria Warchol, Orbis's legal counsel in Gdansk, says the organisation "is conducting an investigation which would clarify the exact legal position as to the status of the land". Ms Katarzyna Gontarczyk, the organisation's spokeswoman in Warsaw, confirms that Orbis hopes shortly to reach a solution acceptable to both sides.

of May, provides for three forms of compensation. These are: the return of the property in question; where that is impossible, "equivalent" property; and third, compensation in the form of privatisation coupons, which could be used to buy shares in privatised assets.

These provisions would apply only to Polish citizens domiciled in the country at the time the law came into force, and not to the large number of Polish people still living in exile.

The government is considering the creation of a "reprivatisation reserve", which would consist of 5 per cent of the equity in majority state-owned joint stock companies and which would provide for the means to compensate for property that cannot be physically restored.

However, with the outcome of elections on September 19 uncertain, no one knows when the restitution law will be passed. Meanwhile, a senior official in the privatisation ministry says of land that belongs to the Treasury under the postwar decrees: "At the moment there is no law which would permit us to give this land back. When one is passed, then we will be able to do something. Until then our hands are tied."

## Unravelling title

and property is not easy in a country with a past like Poland's.

It was occupied by the Germans in 1939. Then, in a 1945 deal between Stalin and the western powers, its eastern and western boundaries were shifted 200km west, as it was given a large tract of former eastern Germany in compensation for a 200km swathe of eastern Poland which was integrated into the former Soviet Union.

During the war, the Nazis had already confiscated large numbers of buildings and private estates. In the years that followed, the communist regime continued the process, nationalising almost all the privately owned land in Poland.

As in the rest of eastern Europe, the collapse of communism in Poland in the 1990s has meant the revival of the property issue. Growing numbers of former owners and their heirs have demanded the return of their property, whether it be land, factories, apartment blocks, houses or water mills.

The Polish government has been struggling to clarify and define the issues involved in a restitution bill, designed to combine the interests

## High stakes in title fight

Christopher Bobinski on competing claims for land

of tens of thousands of claimants with the rights of those who have been using their property for decades.

For example, 2.7m hectares of land were confiscated from landowners after the second world war. Of these, 1.7m hectares were distributed to peasant farmers, who still hold the land. The 3,000-strong former landowners' association says it only wants back land still held by the state.

In addition, 16,500 country houses, large and small, were confiscated. Only 200 remain habitable, largely because they were developed as schools, conference centres or state farm headquarters. If there is consensus on anything, it is that the issue must be resolved. Without a restitution law, "foreign and domestic investment and privatisation remain impeded", says Nabarro Nathanson, the UK law firm, in its study of the latest draft version of the bill.

Mr Maciej Raczewicz of Epstein

Engineering, a US company operating in Warsaw, agrees up to a point. "It's a problem but not an overwhelming one," he says. "Getting funding permits out of the city bureaucracy causes more of a headache."

Developers who have faced repeated problems getting finance for their buildings have blamed the delay on difficulties in clarifying land title. But it is at least partly caused by an overloaded and inefficient bureaucracy.

Indeed, over the past three years, western investors buying into Polish enterprises have shown scant regard for the claims of former owners, trusting government assurances that they would be compensated when the restitution law was passed.

The Swarzędz furniture factory in northern Poland was one of the first state companies to be privatised. When it was sold in a public share offer in 1991, the government held back 5 per cent of the equity

to compensate for the claims of two former owners who came forward.

PepsiCo Foods International, which bought control of the Warsaw-based Wedel chocolate company in 1991, ignored the fact that Mr Karol Whitehead, an heir of the former owner, had been trying for the past year to persuade the government to recognise his well-documented claim to the factory.

"The heirs of the owners of E Wedel hold to this day all the prewar shares of this company," says Mr Whitehead.

Legally, however, wherever property was taken over in accord with communist nationalisation decrees of 1945 and 1946, it remains the property of the state until a restitution law is passed. Wherever a former owner can prove that the nationalisation decrees were violated, property has been restored.

The draft law, which had started its passage through parliament before it was dissolved at the end

## Testing the royal water

■ So you want to get your throne back? Deposed monarchs the world over will be watching with interest the surprise visit to Greece by former King Constantine and his family.

The king, who lost his throne in 1974, has stooped to employing a big international public relations company to publicise the symbolism of his return. Judging by the good turn-out for the recent funeral of King Baudouin of the Belgians, the royalty business is doing rather well at the moment and if an ex-king is to make a comeback now is as good a time as any.

Burson-Marsteller, which employs some of the world's top spin doctors, has been primed to supply media-friendly answers to the most obvious questions about the ex-king's return to Greece. Hence, the only official significance of the timing of the visit is that it coincides with some of the king's children finishing university and other teaching jobs. As to who is paying for the expedition, all B-M is prepared to disclose is that the royal family are on board a motorboat chartered from a Greek company through a British brokerage firm and are guests of the Prince of Hanover.

No mention of the wealthy Greek shipping families who frequent

the king's off-shore court in London's Hampstead and would dearly love a return of their monarchy. Nor for that matter is there any mention that Constantine is returning to Greece when the government is looking particularly woefully. If B-M does a good job for Constantine there could be plenty more out-of-work monarchs knocking on its door.

## Trading down

■ When you have been managing director of Coutts & Co, private bankers to the royal family, what do you do for an encore?

Julian Roberts, who spent 34 years in a Coutts' frock coat, has found another family to serve, albeit one with rather less money. He has recently taken over as chief executive of The Invergla Trusts, which manages the wealth left of the fortune of the brewing side of the far flung Guinness family. The family stake in Guinness is now down to around 2 per cent. But this is still worth close to £200m.

Roberts, whose family bank had been taken over by Coutts in 1914, parted company with Coutts after its parent National Westminster Bank decided to put one of its own men in charge at the end of 1991. Having had a year of enjoying himself, Roberts decided that 56 was too young to retire from city life.

Discreet as ever, Roberts refuses to say much about his new post,

## OBSERVER



'He's swallowed a hard Ecu but I'm not sure if it's worth retrieving it'

save to admit that it is a full-time job. Indeed, the appointment would probably have gone unpublished had it not been for the fact that Roberts has also taken on the chairmanship of Hill Martin, a small Bristol firm which looks after the finances of wealthy clients.

## Leg pull

■ Ted Dexter, finally bowled out as chairman of England's cricket selectors, should have known his innings was up when the latest Information Technology Review added its weight to the growing

criticism of English cricket.

It was up to London University computing professor John Campbell, stone-walling against unrealistic claims about the possibilities of artificial intelligence, to state the obvious.

"It may be possible to build a cricket-playing robot, but we don't think that we can equip it with the knowledge and batting skills of Don Bradman," Campbell says, before adding: "though building something with just the competence of an average member of the present English national cricket team may be another matter."

## Under wraps

■ Still on the subject of cricket, has anyone seen Barry Flanagan's odd statue which has just been removed from under the nose of the Bank of England?

It was supposed to be a cricketeer but a Financial Times reader rang to complain that it was more like a kangaroo sitting on top of some cricket stumps. Hardly the sort of work that should be supported by a nationalised industry, complained one reader, especially when England was receiving such a pasting at the hands of the Aussies.

However, when Observer went to inspect the offending exhibit, which was part of the Art in the City project, it had disappeared. Had Eddie George, the new governor of the Bank of England,

eradicated the last traces of his cricketing-mad predecessor? No such luck. The Bank of England is just as much in the dark as the sculpture's owner, Waddington gallery, as to the cricketeer's current whereabouts. Let's hope the Australians haven't kidnapped it.

## Digit-all

■ Self help and the elimination of red tape is something you come to expect from an organisation representing the best of British business. So visitors to the CBI's Centre Point headquarters should not be surprised to find that instead of having to spell out their name and company ever so slowly to the receptionist they are now required to punch in their details on a small keyboard at the front desk. The information is printed out onto a visitors' ticket which the receptionist folds into a plastic label badge.

Observer passed the key-board test, of course, but is not so sure that those CBI members who are used to minions hitting the keys will take as kindly to the idea. After all, where is the personal service?

## Hello?

■ What is the difference between a Hungarian and a Briton? A Hungarian leaves without saying goodbye, whereas a Briton says goodbye without leaving.



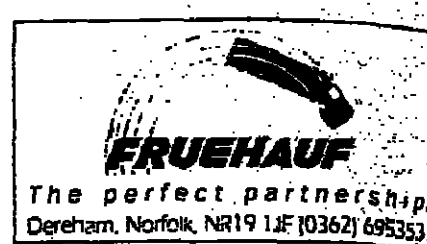


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# FINANCIAL TIMES

Tuesday August 10 1993



## Britain to cut price it pays for drugs by 2.5%

By Paul Abrahams in London

DRUGS groups expect to be told today that prices paid by the UK government will be cut across the board by 2.5 per cent.

The move, after months of negotiations about profit levels, came as a big manufacturer announced that it had slashed the UK price of one of its best selling medicines to avoid being put on a National Health Service blacklist.

Rhone-Poulenc Rorer, the Franco-American pharmaceutical group, also said it would think twice before launching certain drugs in the UK in future.

The moves in the UK are the latest in a series of measures by governments around the world to control spending on medicines. Price cuts have been introduced this year in Italy and Germany, where drug sales fell 1.8 per cent and 1.1 per cent respectively during the first five months of this year. In the US, Mrs Hillary Clinton is preparing reforms, due to be released next month.

RPR cut the UK price of its drug, a sleeping pill called Zimovanc, from 99p to 10p per tablet. The medicine generated sales last year of £10m (\$15m), which compares with the group's UK prescription medicines turnover of £90m. The price cut comes into effect from October 1.

The company said the UK department of health was threatening to put the drug on a blacklist of products which could not be prescribed on the NHS if its price was not cut. The department of health is negotiating with the industry over blacklists for 10 therapeutic categories.

Dr Ian Hindmarsh, professor of human psycho-pharmacology at the University of Surrey, said the introduction of blacklists could threaten patients' lives because old but cheap treatments would be prescribed in preference to newer, safer, but more expensive alternatives.

UK pharmaceuticals stocks fell on the news of RPR's price cut as the market expected other com-

panies to follow its example. Glaxo, the company most exposed to the blacklists, closed down 12.5p at 516.5. SmithKline Beecham, the UK healthcare group, dropped 1p to 438p, while Wellcome fell 22p to 854p and Zeneca, the recently floated ICI bioscience business, floated 6p to 650p.

The 2.5 per cent price cut will be part of proposals agreed between the department of health and the negotiating committee of the Association of the British Pharmaceutical Industry (ABPI). Industry chief executives will be told the results of the committee's discussions at a meeting this afternoon. They must agree the terms of the renegotiation of pharmaceutical price regulation scheme, the voluntary agreement overseeing industry profits.

The ABPI said RPR's Zimovanc was not a typical example because its price was so far out of line compared with other products. But it accepted that other manufacturers would need to cut prices to avoid the blacklists.

## UK credit data fuels hopes for recovery

By Emma Tucker and Stephanie Flanders in London

STRONG consumer credit growth and a smaller than expected rise in the prices of manufactured goods yesterday added to optimism that the UK recovery is gathering pace without being dogged by inflation.

The good news, together with a trimming of lending rates in France, sent share prices in London to a record closing high as investors looked forward to renewed economic activity in Europe.

Official UK credit figures pointed to a willingness among consumers to borrow for this year's early summer sales, indicating an easing of the post-recession fear of debt.

The Central Statistical Office said consumers borrowed a net £213m (\$317m) in June, the highest seasonally adjusted monthly figure for two years. A broader measure of credit growth painted a similar picture, with net lending at £161m in the second quarter compared to £299m in the first.

Meanwhile, the prices of manufactured goods leaving factories rose only 0.1 per cent in July compared with June, suggesting that manufacturers are continuing to absorb the higher cost of imported raw materials and fuel following the devaluation of sterling in September. Prices were 4.1 per cent higher than a year ago.

The FT-SE 100 Index closed up 16.8 at a record high of 2,986.4, just off a new peak reached during trading of 2,986.8. However, the pound, trading against the background of a stronger D-Mark, lost some of its recent gains to close down 1/4 of a pence at DM2.5350.

New credit advanced to consumers rose in June to £4.69bn, from £4.24bn in May. Nearly two-thirds of the increase reflected higher advances on credit cards, with most of the rest due to lending by finance houses.

Economists counselled against reading too much into one month's figures. "The June growth in consumer credit reflects the very lumpy profile of the most recent retail sales figures, which dropped off in May, followed by a strong June figure to make up," said Mr Kevin Gardiner, UK economist at SG Warburg Securities. "Still, this is one in the eye for those who thought that, when the recovery did arrive, consumers would refuse to finance it with consumer credit," he added.

The credit figures account for only a small part of total private sector debt, as they do not include mortgages. The June lending data takes in about 15 per cent of consumer borrowings, while the broader quarterly measure includes bank loans on personal accounts and lending by non-bank credit cards and covers about 20 per cent.

London shares, Page 23

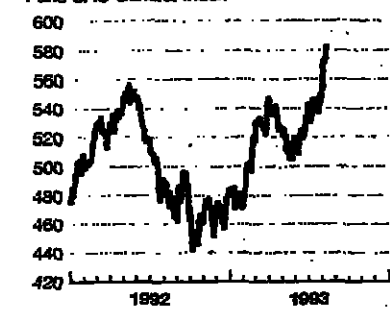
## THE LEX COLUMN

### Hard currency choices

FT-SE Index: 2986.4 (+16.6)

France

Paris CAC General Index



Source: Datastream

the past two weeks.

So short gilts weakened yesterday, the prospect of interest rate cuts receded, while the long end of the market took heart from the fact that inflationary pressures remain weak. The recent powerful rally has not been slowed by the supply of new issues, even though the government is well ahead with this year's funding programme. Banks, overseas buyers and retail investors seem happy to support the market, especially with the prospect of lower interest rates in the autumn to counter any fiscal tightening in the November budget. Any sign of renewed inflation would, however, undermine that complacency.

GKN

Following last week's announcement of an imminent order from Kuwait comes this week's announcement of the imminent signing of a contract on an order from Kuwait. GKN seems to be learning quickly the excellent defence trick of unravelling the same deal several times. And in traditional defence style the size and value of the order are state secrets and may remain so even when contracts are finally signed.

Still, it is possible to discern something through the fog. The Kuwaiti order for Warriors will dovetail nicely with the ending of the production run for the British Army in 1994. Given that plant and development costs will have been written down margins on the Kuwaiti order should be good. And there may well be an additional order for Piranha wheeled vehicles later in the year, which suggests that while GKN's current rating looks demanding, they are prepared to look out to 1995 and beyond.

RTZ

RTZ's sale of a stake in the Libe gold project to a little-known company at a meagre price is curious. It may indeed be technically difficult to extract gold from a volcanic island and politically awkward to cater to the demands of Papua New Guinea's government. But Libe remains one of the biggest known gold reserves in the world. Moreover, it is hard to see what the new partner brings to the party other than some scarcely-needed cash to help RTZ fund the next stage of an added degree of complexity. Still, such concerns are too peripheral to undermine RTZ's share price progress more than momentarily.

UK economy

Given that early summer sales in June had tempted shoppers and produced stronger retail sales figures, it is hardly surprising that consumer credit also grew during the month. Indeed, the strength of credit card advances reinforces the idea that bargain hunters are prepared to buy when prices are right. Whether the trend will continue once the sales end will be the real test of consumer confidence. Yet unless the picture deteriorates badly, there is little pressure for an interest rate cut to bolster growth. Nor is there a need to offset an appreciation of the pound, since sterling's trade-weighted index has fallen over

France

Rather like an old dog which cannot learn new tricks, the French government continues to adhere to an exchange rate mechanism which effectively no longer exists. Yesterday's minimal cut in the overnight lending rate to 9.75 per cent emphasises the government's continued adherence to the *ancien régime*. The government will continue once the sales end will be the real test of consumer confidence. Yet unless the picture deteriorates badly, there is little pressure for an interest rate cut to bolster growth. Nor is there a need to offset an appreciation of the pound, since sterling's trade-weighted index has fallen over

## Nato puts off firm decision over Bosnian air strikes

By Gillian Tett in Brussels and Laura Silber in Geneva

NATO yesterday came a fraction closer to carrying out its threat of air strikes in Bosnia after a meeting of alliance ambassadors in Brussels reached a broad agreement on the military logistics of such attacks.

But with splits remaining among the allies about the scope and timing of any action, Nato again deferred a firm decision on the strikes. It insisted that this would require United Nations consultation and further Nato meetings.

In Geneva President Alija Izetbegovic of Bosnia yesterday met the co-chairmen of the peace conference in the wake of their suspension last week of peace talks amid Bosnian protests over the Serb seizure of two key mountains near Sarajevo.

Diplomats say Mr Izetbegovic was holding out for Nato air strikes against Serb targets ring-

ing Sarajevo. He has appealed for intervention in the "name of peace", saying "even one air strike" would help end 16 months of war.

But some Nato diplomats said that a firm decision on the air strikes at the moment would be untimely. They cited continued confusion about the status of the peace negotiations in Geneva and uncertainty over whether Serb troops had withdrawn, as promised, from mountains Bjelasnica and Igman.

A spokesman for the peace talks said the Serb flag was no longer waving over Bjelasnica. UN officials, however, could not confirm that Serb forces had pulled back from Mount Igman, which is of greater strategic significance for the Bosnian army because it controls a crucial supply route to the besieged capital.

The Bosnian Serb leader, Mr Radovan Karadzic, appeared anxious yesterday to show that his forces were complying with the

UN-brokered agreement. "Step by step we will hand over all mountains to the United Nations forces," he said.

There was uncertainty whether Mr Izetbegovic would hold direct talks with Mr Karadzic and his Croat counterpart, Mr Mate Boban, who both returned to Geneva yesterday. Asked last night whether he would meet his Bosnian Serb and Croatian adversaries, Mr Izetbegovic said simply: "Tomorrow".

Nato's deferral of the air strike issue appears to be both a concession to demands that the UN play a more prominent role in any military action and an attempt to buy more time for the allies.

During meetings in Brussels, the Nato ambassadors approved a range of options for "graduated" military action in Bosnia drawn up by the military committee this weekend.

Serbs inject fresh doubts into Nato, Page 2

## Paris cuts cost of borrowing

Continued from Page 1

for failing to do so. But political analysts in Paris said the letter could also represent support for Mr Balladur, who faces pressure from within his Gaullist RPR party for rapid interest rate cuts and a more expansionary economic policy.

Most economists expect the government to cut interest rates in an attempt to revive the recession-hit economy, but that it will do so gradually.

## LDP influence in cabinet

Continued from Page 1

foreign minister, again promised to seek a reconciliation with other Asian countries by apologising for wartime brutality. The appointment completes a circle for Mr Hata, who turned down the foreign minister's post not long before defecting from the LDP this year, saying that his priority was political reform.

The cabinet's stated policy priority is to introduce changes to the electoral system within a year, and Mr Sadao Yamahana, the leader of the SDP, was

appointed minister in charge of political reform. Before winning agreement from his coalition partners for reform, he must convince colleagues at the SDP who fear that the changes could cost them a place in the parliament.

SDP politicians were also given the posts of transport and construction, which have been at the centre of the scandals prompting the upheaval in Japanese politics. The appointment of an ex-LDP official to the construction ministry, in particular, would have badly tarnished the image of the new cabinet.

### WORLD WEATHER

#### Europe today

Low pressure over Denmark will bring unsettled conditions to north-western areas. A frontal zone extending from the low will produce rain and below normal temperatures in southern Scandinavia, Germany, and later in Poland and Austria. Central France will have isolated showers, but persistent rain is expected in the north-western Alps. As the frontal zone moves east, north-eastern Europe will have showers. Thunder showers will develop this afternoon in Hungary and south-eastern France. The Mediterranean will continue warm and sunny with temperatures reaching 35C again in central Spain.

#### Five-day forecast

A strong westerly flow over Europe will keep conditions unsettled over the British Isles, Scandinavia, the Low Countries and Germany. The UK will be wet and windy, especially on Wednesday and Friday when low pressure centres will cross the country. By the weekend, high pressure will bring temporary improvement over northern France and the Low Countries. Unstable weather, including some sunny spells, is expected in north-east Europe and over France. By the end of the week, hot weather over Spain will move east and the Baltic States will become warmer.

#### TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	32	24	Amman	28	18	Baghdad	32	24
Aden	32	24	Algiers	32	24	Ankara	28	18
Algeria	32	24	Antwerp	18	12	Athens	32	24
Amsterdam	18	12	Azores	28	20	Bahia	32	24
Athens	32	24	Baku	32	24	Bangkok	32	24
Bahia	32	24	Batavia	32	24	Beijing	32	24
Bangkok	32	24	Bombay	32	24	Buenos Aires	32	24
Batavia	32	24	Buenos Aires	32	24	Cairo	32	24
Bombay	32	24	Cairo	32	24	Calcutta	32	24
Buenos Aires	32	24	Calcutta	32	24	Canton	32	24
Cairo	32	24	Canton	32	24	Cebu	32	24
Calcutta	32	24	Cebu	32	24	Colon	32	24
Canton	32	24	Colon	32	24	Dacca	32	24
Cebu	32	24	Dacca	32	24	Darwin	32	24
Colon	32	24	Darwin	32	24	Delhi	32	24
Dacca	32	24	Delhi	32	24	Dhaka	32	24
Darwin	32	24	Dhaka	32	24	Dublin	18	12
Delhi	32	24	Dublin	18	12	Edinburgh	18	12
Dhaka	32	24	Edinburgh	18	12	Hankow	32	24
Dublin	18	12	Hankow	32	24	Hong Kong	32	24
Edinburgh	18	12	Hong Kong	32	24	Kobe	32	24
Hankow	32	24	Kobe	32	24	Kuala Lumpur	32	24
Hong Kong	32	24	Kuala Lumpur	32	24	London	18	12
Kobe	32	24	London	18	12	Lyons	18	12
Kuala Lumpur	32	24	Lyons	18	12	Manila	32	24
London	18	12	Manila	32	24	Medan	32	24
Lyons	18	12	Medan	32	24	Moscow	18	12
Manila	32	24	Moscow	18	12	Myanmar	32	24
Medan	32	24	Myanmar	32	24	Nagasaki	32	24
Moscow	18	12	Nagasaki	32	24	Osaka	32	24
Myanmar	32	24	Osaka	32	24	Perth	18	12
Nagasaki	32	24	Perth	18	12	Rangoon	32	24
Osaka	32	24	Rangoon	32	24	San Francisco	18	12
Perth	18	12	San Francisco	18	12	Singapore	32	24
Rangoon	32	24	Singapore	32	24	Sourabaya	32	24
San Francisco	18	12	Sourabaya	32	24	Taipei	32	24
Singapore	32	24	Taipei	32	24	Tokyo	32	24
Sourabaya	32	24	Tokyo	32	24	Yokohama	32	24
Taipei	32	24	Yokohama	32	24			

#### FORECASTS BY METEO CONSULT OF THE NETHERLANDS

Location	Day 1	Day 2	Day 3	Day 4	Day 5
Amsterdam	rain	rain	rain	rain	rain
Brussels	rain	rain	rain	rain	rain
Frankfurt	rain	rain	rain	rain	rain
Geneva	rain	rain	rain	rain	rain
London	rain	rain	rain	rain	rain
Madrid	rain	rain	rain	rain	rain
Munich	rain	rain	rain	rain	rain
Nice	rain	rain	rain	rain	rain
Paris	rain	rain	rain	rain	rain
Rome	rain	rain	rain	rain	rain
Sofia	rain	rain	rain	rain	rain
Stockholm	rain	rain	rain	rain	rain
Toronto	rain	rain	rain	rain	rain
Warsaw	rain	rain	rain	rain	rain
Zurich	rain	rain	rain	rain	rain

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Nomura International	Paribas Capital Markets
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# FINANCIAL TIMES COMPANIES & MARKETS

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Tuesday August 10 1993

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## INSIDE

### Petrofina warns of first half decline

Petrofina, the oil group which is one of Belgium's largest industrial companies, yesterday warned that first half consolidated profits were likely to slip to BF3.8bn (\$105m) compared with BF4.18bn last year. Petrofina blamed the "persistent depression" in all industrial sectors in Europe and the US, particularly in chemicals. Page 17

### CHT digs deep with rights issue

The Cross Harbour Tunnel Company (CHT) plans to raise HK\$800m (\$103m) from a one-for-two rights issue at HK\$13 a share to fund construction of Hong Kong's new Western Harbour tunnel, part of the HK\$1.65bn airport development programme, which received approval from China in June. Page 16

### Sara Lee rises 11.8%

The Chicago-based food and consumer products company, Sara Lee, reported an 11.8% increase in fourth quarter profits, to \$190m after tax. Sales advanced by 13.3 per cent, at \$3.85bn. Page 16

### Transmitter seeks listing

National Transcommunications, the privatised engineering and transmitter arm of the old UK Independent Broadcasting Authority, is likely to seek a stock market flotation next spring. Page 17

### Air crash brings share crash

Shares of Swedish companies linked to the country's military aerospace programme fell sharply yesterday after the crash of a JAS 39 Gripen fighter aircraft during an air display over Stockholm on Sunday. Page 17

### A new leaf for papermakers

A downturn in prices and demand is prompting a consolidation in the Japanese paper industry, which like others was broken up during the US occupation. Page 17

### Almost in focus

Lucas Industries, the engineering group, is on target to complete a \$100m divestment programme by the end of October after the sale of its aerospace engineering and heating systems business to a management-led buy-out team backed by UK financial institutions for \$29m (\$13.41m). Page 19

### Checking out hotels

Demand for UK hotel stocks has been growing, but the sector's problems have changed investors' stock selection. One fund manager said: "Investors are now much more sensitive to the quality of management." Page 20

### Futures beckon to Portugal

Portugal plans to set up a futures market in fixed rate treasury bonds by the end of 1994, but first the government wants to streamline and simplify cash market trading. Page 18

### Germany catches up

The German equity market outstripped France after being left behind seven days before. An unexpected cut in the Subst repo rate last Tuesday allowed Germany to extend its 1993 gains to an above-average 20.7 per cent. Back Page

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### Chief price changes yesterday

ENTERPRISE PRICE CHANGES, FEBRUARY 1997					
FRANKFURT (DM)			RISSEN		
Riese	950	+ 25	Crud Leno (D)	780	+ 17
Ref & Berger	438.5	+ 10.5	Eco	548	+ 13
Unipol (H)	298	+ 8	Lafarge Dupont	456	+ 11.5
Presidential Bld	375	+ 12	Valpays	247.5	+ 22
Swiretech Ltd	1045	+ 25	Dacia de France	555	+ 27
Woolchill Eld Soc	535.5	+ 95	Navigation Mine	1050	+ 27
NEW YORK (\$)			TOKYO (Yen)		
Exxon Mobil	69 1/4	+ 1 1/4	Barrick Gold	617	+ 91
Exxon Mobil	55 1/4	+ 1 1/4	Feijun	750	+ 25
Exxon Mobil	44 1/4	+ 1 1/4	Japan Steel	1740	+ 30
Exxon Mobil	32 1/4	+ 1 1/4	Minicor	900	+ 25
Exxon Mobil	28 1/4	+ 1 1/4	Minicor	1490	+ 60
Exxon Mobil	24 1/4	+ 1 1/4	Minicor	781	+ 15
Exxon Mobil	20 1/4	+ 1 1/4			
Exxon Mobil	16 1/4	+ 1 1/4			
Exxon Mobil	12 1/4	+ 1 1/4			
Exxon Mobil	8 1/4	+ 1 1/4			
Exxon Mobil	4 1/4	+ 1 1/4			
Exxon Mobil	0 1/4	+ 1 1/4			

LONDON (Pence)				
Wiseas			Standard Portland	34 + 7
Ashey Hat	410	+ 8	Standard Chart	896 + 12
Bardus	48	+ 3	Swallowfield	118 + 9
Black (P)	46	+ 3	Unwara	385 + 17
Bit Aero	48	+ 14	Unwara	74 + 7
Eurocamp	223	+ 13	Unwara	94 + 6
Grand Met	433	+ 14	Willes (A)	
Green King	216	+ 14	Willes	
Jup Paper	95	+ 5	Computer People	95 - 10
Ladbroke	54	+ 5	Jupiter Sarah	610 - 20
Westminster Health				
Woodchill Eld Soc				

## BNP prepares for sale with share split

By Alice Rawsthorn in Paris

BANQUE Nationale de Paris (BNP), the largest of France's state-controlled banks, yesterday took a step towards privatisation by announcing plans to split its shares into two classes, one for institutional investors and one for the public. The move is part of a two-stage process to make its shares more marketable.

Meanwhile, the French economics ministry said it had appointed Lazard Frères, one of the most prominent Paris investment banks, as the government adviser on BNP's privatisation.

The government yesterday also appointed Banque Indosuez, a subsidiary

of the Suez holding company, as its adviser for the sale of Rhône-Poulenc, the public sector chemicals company to be privatised at the same time as BNP.

Rhône-Poulenc and BNP are the first candidates for sale in the French privatisation drive, which is one of the most ambitious programmes in Europe and could involve the sale over the next two years of as many as 21 state-controlled companies worth up to FF930bn (\$161bn).

BNP yesterday said that the scrip issue, whereby investors will be given two new shares for each existing share, was intended to improve the shares' liquidity.

The issue, which will be submitted to shareholders for approval at BNP's next investors' meeting on September 17, will double the number of shares in circulation by halving the nominal value of each share.

Scrip issues are becoming more common in France, where the nominal value of shares tends to be higher than in the US or the UK.

Rhône-Poulenc last month announced plans for a four-for-one share split as part of its strategy of streamlining its share structure in preparation for privatisation.

LVMH, the luxury goods group, which is

already publicly quoted, also recently split its shares.

The next stage in BNP's privatisation will be the launch early next month of the corporate strategy devised by Mr Michel Pébereau, the French banker who two months ago was brought in as chairman.

Mr Pébereau, who was chief executive of the Crédit Commercial de France banking group at the time of its privatisation in 1987, has spent the summer mapping out his proposals.

He will present them to BNP's staff in early September and to shareholders at the September 17 meeting.

## VW predicts recovery in 1994

By Christopher Parkes in Frankfurt

VOLESWAGEN, Europe's leading volume carmaker, is on the road to making a profit in 1994, Mr Werner Schmidt, finance director, said yesterday.

A recovery was under way from first-half losses of DM1.8bn (\$830m). Next year group turnover should recover to the 1992 level of about DM85bn. However, Mr Schmidt added, there were still "imponderables" such as exchange rate variations.

On Friday, VW said the turnaround point could be reached this year, provided the market did not deteriorate further.

Observers said that statement and Mr Schmidt's comments yesterday suggested that the group was backing away from earlier, confident forecasts that it would break even in 1993.

According to provisional statistics the Volkswagen group's western European market share - including sales of the VW, Audi, Seat and Skoda marques - was 16.1 per cent last month, compared with 17.8 per cent in July 1992. While total industry sales were down an estimated 21 per cent, deliveries of VW brands were about 29 per cent lower.

Sales of General Motors marques, including Opel and Vauxhall, were down 13 per cent and market share was up a provisional 1.2 points at 12.9 per cent last month.

As sniping between the two groups continued in the row over suspected industrial espionage, Chancellor Helmut Kohl suggested they should stop the "highly distasteful" public debate. Mr Gerhard Schröder, prime minister of Lower Saxony, which owns almost 20 per cent of VW, appealed again for peace talks between VW and Opel.

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## Richard Waters on the risks that follow a US banking revival

### A test for the catastrophe theory of lending

Is this an accident waiting to happen? First-half results from the biggest US commercial banks have confirmed their rapid return to financial health, leaving them among the best-capitalised banks in the world.

Recent history, though, has shown the banks to be prodigal users of their shareholders' capital - from lending to lesser developed countries at the start of the 1980s to the credit-driven boom in property and corporate deals at the end of it. The fashionable sport for observers of US banking now is to spot where the next disaster will come from.

The banks' recuperation, revealed by their second-quarter figures, has been faster than most analysts expected. With US property prices booming out, and improved profitability and lower debt levels among their corporate customers, the overall asset quality of most banks has turned markedly upwards.

Total non-performing loans held by the 42 big US banks followed by IBCA, the UK-based bank rating agency, fell by \$3.3bn during the second quarter. At \$31.1bn, troubled loans are nearly a third lower than a year ago.

It will take some time to clear the decks. At the end of June, the banks were also sitting on property - acquired as a result of loan foreclosures - with a written-down value of \$14.2bn. Banks such as Citicorp (which accounts for \$3.5bn of this) have said they will sell only when they can realise favourable prices, rather than be rushed into fire sales.

The improvement in the quality of bank assets was reflected in lower provisions to cover potential credit losses. Added to high lending margins - the average is still about 4 per cent - and record profits from trading in foreign exchange and other markets, this boosted the banks' after-tax earnings. The \$5.8bn of after-tax profits made by the 42 banks covered by IBCA was \$2bn more than in the second quarter of 1992 and it further strengthened capital ratios.

Even Citicorp, recently the stumbling giant of US banking, managed a tier one capital ratio of 5.7 per cent at the end of June, up from 4.25 per cent the previous year, thanks partly to an issue of preferred stock.

Others strengthened what were already respectable capital levels compared with the internationally agreed minimum of 4 per cent. BankAmerica reached a tier one level of 6.9 per cent and the rest of the top 10 banks achieved more than 7 per cent.

But will this renewed balance-sheet health herald another stampede into risky lending?

So far, the signs are that both the banks and their customers are more cautious this time around. "The tendency is to go

### US banks: a return to health



Average of 42 largest US bank holding companies

Source: IBCA

also leave some banks sitting on big capital losses - though it would be surprising if they had not hedged at least part of their bond holdings.

So where might the next disaster to hit US banks come from? A change in the yield curve is one possibility. Another, according to more sceptical observers, is the derivatives markets - one of the few areas where banks are taking on additional credit exposure.

The banking industry shrugged off such fears in a report by the Group of 30 last month.

The dull truth is that there may be no disaster waiting to

happen - but no big new source of profits growth either. With domestic lending suppressed, international ambitions clipped after unprofitable 1980s forays and the US securities markets largely beyond their ambit, income growth could be negligible.

That will put greater pressure on big banks to cut costs and, maybe, to continue the wave of mergers which has begun to eat into the sector's overcapacity. It may sound dull, but after the traumas of the past decade, few bank chairmen will complain about that.

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## INTERNATIONAL COMPANIES AND FINANCE

## Fourth-quarter rise at Sara Lee

By Nikki Tait in New York

SARA LEE, the Chicago-based food and consumer products company, yesterday reported an 11.8 increase in fourth-quarter profits to \$190m after tax. Sales advanced by 13.3 per cent to \$3.95bn.

The final-quarter's results left Sara Lee posting an underlying 12.9 per cent advance in earnings per share to \$1.40 for the 12 months to July 3. Net profits actually showed a small fall from \$761m to \$704m, but the previous year's results included a one-off pre-tax gain from the sale of the over-the-counter drugs business, only

partially offset by some restructuring costs. This added a net \$222m to the 1991-2 results at the pre-tax level.

In the final quarter, the only weak division was personal products, where operating profits fell by 4.3 per cent to \$141m, on sales 12.8 per cent higher at \$1.54bn.

Sara Lee, which takes in brand-names such as Hanes, Leggs and Dixie, said that markets were depressed in Europe, especially in the hosiery area. Elsewhere, operating profits on the household and personal care side surged by 45.7 per cent to \$48m, on a 4.7 per cent sales gain to \$281m.

The group said that this reflected increased sales of higher margin "core category" products and improved operating efficiencies.

On the food side, the packaged meats and bakery division advanced by 6.4 per cent, on an operating profit of \$93m, on sales up by one-fifth at \$1.41bn.

The coffee and grocery business improved operating profits by 9.3 per cent to \$66m, with sales rising by 3.7 per cent to \$517m.

For the year overall, Sara Lee saw a 10.1 per cent advance in sales to \$14.6bn. The company's shares

advanced modestly on the results, adding 3/4 to \$22.

Capital Cities/ABC, the US media group, is acquiring Expansion Publishing Group, which operates four publishing franchises in Mexico City, Reuters reports from New York.

The acquisition includes Expansion, a bi-weekly business magazine that is the flagship of the company.

The magazine was ranked number one in advertising pages in Mexico by a wide margin in 1992, and would rank 18th in Advertising Age's ranking of top magazines in the US, the companies said.

Terms were not disclosed.

## May stores climbs to \$117m in real terms

By Nikki Tait

MAY Department Stores, one of the largest department store operators in the US, yesterday reported an underlying 22 per cent increase in second-quarter earnings per share, at 44 cents, in the three months to end-July.

May's actual after-tax profits for the period fell from \$89m to \$117m, but the 1992 results were boosted by a one-off gain of \$298m pre-tax.

Had this been excluded, May said second-quarter after-tax profits would have risen from \$89m to \$117m year-on-year.

May's sales overall rose from \$2.11bn to \$2.5bn, with \$151m, against \$452m, coming from the Payless ShoeSource division, and \$1.99bn, compared with \$1.86bn, from the department stores.

During the quarter, May opened a new Kaufmann's department store in Syracuse, New York, and a net 70 new Payless shoe stores.

May, which recently outlined wide-ranging expansion plans, said it would open another 11 department stores during the remainder of 1993, and add about 150 Payless outlets by the end of its current financial year.

The second-quarter results mean May's after-tax profits for the first half of the year stand at \$213m, with sales rising to \$4.82bn from \$4.51bn.

## Cross Harbour Tunnel plans HK\$830m rights

By Simon Davies in Hong Kong

THE Cross Harbour Tunnel Company (CHT) plans to raise HK\$830m (US\$107m) from a one-for-two rights issue at HK\$413 a share to fund construction of Hong Kong's new Western Harbour tunnel, which received approval from China in June.

It is the first private financing for a core project in Hong Kong's HK\$16.8bn airport development programme. CHT has a 37 per cent interest in the Western Tunnel, with Chinese partners Citic and China Merchants.

The rights offer is being made at a 35 per cent discount to last night's closing price of HK\$30.10 per share. The Wharf Group, which owns 27 per cent of CHT, has agreed to take up its share of entitlements in the issue.

The new tunnel is estimated to cost HK\$7.5bn and must be completed by August 1997 since it will link with the expressway leading to Chek Lap Kok airport. The airport is due to open in mid-1997.

CHT will inject HK\$922m in equity into the project and additional loan finance is being finalised.

The company constructed

the first tunnel to link Hong Kong Island with the Kowloon peninsula. It was launched on a 30-year operating franchise and reverts to the government in August 1999.

It also owns 70 per cent of the highly profitable Hong Kong School of Motoring, but the company's main income in the future will come from the new tunnel.

The franchise for the West era crossing has been described by some politicians as overly favourable to the operators, who are guaranteed toll increases giving a minimum return on equity of 15 per cent.

## New drug sales bolster Chugai Pharmaceutical

By Emiko Terazono in Tokyo

CHUGAI Pharmaceutical, a leading Japanese drugs company, has attributed a rise in mid-term profits to brisk sales of its new renal anaemia drug.

Chugai's non-consolidated pre-tax profits for the six months to June rose 10.2 per cent, to ¥6.3bn (\$60.29m), on a 6.4 per cent rise in sales to ¥73.1bn. After-tax profits jumped 40.3 per cent to ¥2.5bn, although the previous year the company recorded the losses on affiliates' investments.

Sales of Chugai's renal anaemia drug, which rose by more than 30 per cent for the first half, offset costs from the com-

pany's equity-linked financing, it said.

The increase in sales of newly-developed drugs, which have larger margins than existing products, made up for sharp falls in sales of ethical and over-the-counter drugs.

For the full year to December, Chugai expects financial investments to contribute to profit growth.

The company projects a 18 per cent rise in pre-tax profits, to ¥17bn on a 5.4 per cent increase in annual sales to ¥151bn. After-tax profits are expected to rise 42.9 per cent to ¥7.5bn, and Chugai plans to increase its annual dividend payment to ¥9 per share from ¥7.5.

## Showa Denko in red after damages charge

By Gordon Cramb in Tokyo

SHOWA DENKO, the Japanese chemicals producer which is being forced to settle damages claims in the US as a result of blood disorders caused by a dietary supplement it marketed there, took an extraordinary charge of ¥46.18bn (\$442m) in the half-year to June to cover the suits.

The company was able to offset more than half of this by selling land and other assets, which brought in ¥24.28bn, but it still suffered an interim net loss of ¥17.24bn, compared with earnings last time of ¥1.09bn.

The food additive, L-tryptophan, was withdrawn in 1989. More than 1,500 Americans

were affected, of whom some 30 died.

Showa Denko has been hoping to settle the bulk of the legal cases this year.

Its mainstream businesses, meanwhile, suffered from the economic downturn in Japan. Parent company first-half sales were down 9.5 per cent to ¥235.3bn and pre-tax profits were halved to ¥1.42bn from ¥2.84bn.

For the full year, Showa Denko forecast sales down 7.8 per cent to ¥470bn, and a break-even at the pre-tax level, where in 1992 it earned ¥3.36bn, but said it could not make a projection for net earnings.

No dividend has been paid since 1990.

## Pfizer costs taxation changes

By Richard Waters in New York

Pfizer yesterday became the first US drugs company to quantify publicly the cost of the Clinton tax changes on its business, saying its effective tax rate would rise from an expected 28 per cent this year to 30 per cent in 1994.

Like other drugs companies, Pfizer manufactures many of its products in Puerto Rico and so will be hit by a reduction in

the tax relief on operations located there.

The reduction in this relief, available under Section 836 of the US tax code, makes the drugs industry one of the biggest losers from last week's tax package.

Pfizer said that, although the effect of the tax change was unlikely to come as a surprise, it was significant enough to warrant a statement. The company's shares lost 1/4 to 5/8 by midday in New York.

Meanwhile, Abbott Laboratories, a US manufacturer of healthcare products, said the tax changes would add \$50m to its tax bill next year.

The company, which had net earnings last year of \$1.3bn, said the increase was due to the Section 836 change and the one percentage point increase in the corporate tax rate. It added, however, that a research and development credit would partially offset the increase.

## Charter Medical sells hospitals

By Richard Waters

CHARTER Medical, the US hospitals company which emerged from Chapter 11 bankruptcy protection last year, yesterday announced the \$340m sale of 10 hospitals as part of its efforts to reduce borrowings.

The sale of the 10 general acute care hospitals, to Quorum Health Group, will leave the company with 78 psychiat-

ric hospitals and a focus on mental health care, Charter said.

Following its move to pay off \$50m of senior debt recently, Charter said, this disposal would leave it with \$425m of debt. In the three months to the end of June, Charter's operating profits edged ahead on higher turnover, from \$63.5m to \$66.3m.

However, the amortisation of charges related to its financial

restructuring last year, which followed a disastrous leveraged buy-out in 1989, led to a net loss for the period of \$50m. The amortisations will continue until the end of 1994.

Mr Mac Crawford, chairman, said: "The sale is consistent with Charter's previous stated objective of reducing debt and its continued focus on being a major provider of mental health care services."

This announcement is neither an offer to exchange nor a solicitation of an offer to exchange any securities. The Exchange Offer described below is made solely by the Offering Circular and Consent Solicitation dated July 3, 1993 as amended and supplemented by the Supplement thereto dated August 4, 1993 and the related amended Letter of Transmittal and is being made to all holders of GLENFED Debentures residing in any jurisdiction where the Exchange Offer would not be in compliance with applicable law. In any jurisdiction where the securities, blue chips or other laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer will be deemed to be made on behalf of Glendale Federal by the First Boston Corporation or one or more registered brokers or dealers licensed under the laws of such jurisdiction. This notice is to holders of the GLENFED Debentures only and is not calculated to lead directly or indirectly to any other person acting on its contents.

## NOTICE OF AMENDED EXCHANGE OFFER AND PROPOSED MERGER, RECLASSIFICATION, RIGHTS OFFERING AND ADDITIONAL PREFERRED STOCK OFFERING

## TO THE HOLDERS OF GLENFED, INC.

## 7.75% Convertible Subordinated Debentures Due 2001

Notice pursuant to Section 1206 of the Indenture dated as of March 15, 1986, between GLENFED, Inc. ("GLENFED") and Chemical Bank, as successor by merger to Manufacturers Hanover Trust Company (the "Indenture"), under which the 7.75% Convertible Subordinated Debentures Due 2001 (the "GLENFED Debentures") of GLENFED were issued, is hereby given of the following:

- GLENFED and Glendale Federal Bank, Federal Savings Bank, the principal subsidiary of GLENFED ("Glendale Federal" or the "Bank"), are undertaking a comprehensive financial Plan of Reorganization (the "Reorganization Plan") to address the current regulatory capital deficiencies of the Bank.
- In connection with the Reorganization Plan, Glendale Federal is offering (the "Exchange Offer"), upon the terms and subject to the conditions set forth in the Bank's Offering Circular and Consent Solicitation dated July 3, 1993 as amended and supplemented by the Supplement thereto dated August 4, 1993 (as so amended and supplemented, the "Offering Circular"), and in the related amended Letter of Transmittal, Consent and Waiver (the offer, as so amended, is referred to as the "Exchange Offer") for each \$1,000 principal amount of GLENFED Debentures (i) to issue 51.06 shares of common stock, par value \$1.00 per share, of the Bank (the "Bank Common Stock") and 8.34 transferable rights (the "Rights") to purchase additional shares of Bank Common Stock at an exercise price currently anticipated to be \$9.00 per share and (ii) to pay in cash interest that became due and payable on the GLENFED Debentures as of March 15, 1993. As part of the Exchange Offer, the Bank is requiring tendering holders of the GLENFED Debentures ("Debentureholders") to consent to certain proposed amendments to the Indenture (the "Debenture Amendments") and to give certain waivers, all as more fully set forth in the Offering Circular.
- The principal transactions provided for in the Reorganization Plan are collectively referred to in the Offering Circular as the "Recapitalization" and are (i) the Exchange Offer, (ii) the merger (the "Merger") of GLENFED with and into Glendale Investment Corporation, a wholly owned subsidiary of the Bank ("Bank Sub"), (iii) the reclassification (the "Reclassification") of the outstanding Bank Preferred Stock into a new series of Bank Preferred Stock, (iv) an offering of at least \$250 million of Bank Common Stock (the "Rights Offering") to be made pursuant to the Rights issued to the holders of the common stock, \$1.00 par value per share, of GLENFED ("GLENFED Common Stock") of record at the effective time of the Merger, the Debentureholders who tender into the Exchange Offer and the holders of outstanding Bank Preferred Stock that is reclassified pursuant to the Reclassification and to the transferees of the Rights issued to each of the foregoing and certain institutional and other investors and (v) an additional offering of at least \$175 million of equity securities of the Bank, which are expected to consist of an additional new series of Bank Preferred Stock (the "Additional Offering"). The offering of shares of Bank Common Stock pursuant to the Merger and the Rights Offering, and the offering of Bank Preferred Stock pursuant to the Reclassification and the Additional Offering, will be made only by means of offering circulars filed with the United States Office of Thrift Supervision (the "OTS").
- As a result of the Merger (i) Bank Sub will succeed to the business, assets and liabilities of GLENFED, (ii) each outstanding share of GLENFED Common Stock will automatically be converted into 0.04 shares of Bank Common Stock and 0.22 Rights, and (iii) the GLENFED Debentures that are not tendered in the Exchange Offer, as modified by the Debenture Amendments, will remain outstanding as obligation of Bank Sub only and not of the Bank.
- THE BANK IS SUBJECT TO A DIRECTIVE FROM THE OTS THAT REQUIRES, AMONG OTHER THINGS, THAT THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS THAT COMPRISE THE RECAPITALIZATION BE COMPLETED BY NO LATER THAN AUGUST 31, 1993. IF THE EXCHANGE OFFER AND THE OTHER TRANSACTIONS COMPRISING THE RECAPITALIZATION ARE NOT COMPLETED AND THE BANK IS UNABLE TO COMPLY WITH THE REGULATORY CAPITAL REQUIREMENTS IMPOSED BY THE OTS, THE BANK MAY BECOME SUBJECT TO THE APPOINTMENT OF A CONSERVATOR, OR RECEIVER, WHICH COULD SEVERELY IMPAIR, OR RENDER WORTHLESS, THE VALUE OF THE GLENFED DEBENTURES.
- THE EXCHANGE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS: (1) AT LEAST 90% IN AGGREGATE PRINCIPAL AMOUNT OF THE OUTSTANDING GLENFED DEBENTURES BEING VALIDLY TENDERED PURSUANT TO THE EXCHANGE OFFER AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE STATED BELOW; (2) approval of the Reorganization Plan (including the Merger by the stockholders of GLENFED; (3) consummation of the Merger and satisfaction of the conditions to each of the other transactions comprising the Recapitalization; and (4) approval of the material terms of the Recapitalization by the OTS, which is the primary United States regulator of the Bank.
- THE EXCHANGE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON WEDNESDAY, AUGUST 18, 1993, UNLESS EXTENDED.
- It is expected that the Merger will become effective between August 19, 1993 and August 31, 1993.
- If the Exchange Offer is consummated, the GLENFED Debentures are expected to be delisted from the Luxembourg Stock Exchange.
- Holders of GLENFED Debentures are strongly encouraged to obtain copies of the Offering Circular to understand the terms of the Exchange Offer and the implication of tendering or not tendering into the Exchange Offer. Copies of the Offering Circular are available for review from the Dealer Manager, the Information Agent, CEDEL S.A. and Euroclear System, at the addresses listed below.

The Dealer Manager:  
The First Boston Corporation  
Park Avenue Plaza  
55 East 52nd Street  
New York, New York 10055  
0101 212 909-3742 (call collect)

The Information Agent:  
Chemical Bank  
c/o Morgan Price  
Corporate Paying Agency  
Chemical Bank House  
180 Strand, London WC2R 1EX  
4471 380-5545 (Call collect)

Book Entry Transfer Facilities:  
OEDEL S.A.  
67, Bd Grand-Duchesse  
Charlotte  
L-1010 Luxembourg  
352 44-99-2446

450 West 33rd Street  
New York, New York 10001  
0101 212 613-7618 (Call collect)

Philips Electronics N.V.  
Philips Group

## Half-Yearly Statement to 30th June 1993

## REPORT ON THE PERFORMANCE OF THE PHILIPS GROUP

Sales in the first six months of 1993 decreased by 2% to 127,242 million. On a comparable basis, after adjusting for the effects of changes in consolidations and exchange rate movements, sales were unchanged from those in the first half of 1992. Sales and income from operations (1,045 million or 3.8% of sales) continued to be affected by the ongoing poor economic conditions in Europe. Net income from normal business operations amounted to 1,221 million as compared with 1,241 million in the corresponding period in 1992. In addition, extraordinary income of 1,100 million was recorded in connection with the sale of Philips' 25% interest in Matsushita Electronics Corporation (MEC) Japan. Total net income in the first six months of 1993 came to 2,321 million, compared with 2,341 million in the same period last year. Effective asset management yielded a financing surplus of 1,177 million. This, together with the 1.3 billion proceeds from the sale of our interest in MEC which has already been widely reported upon, generated a total financing surplus of 1.7 billion in the first half year. In the corresponding period of 1992 there was a deficit of 1.8 billion. The major part of the surplus in the reporting period has been used to repay interest-bearing debt and conversion costs. An amount of approximately half a billion guilders has been temporarily invested in time deposits. The capital structure has been strengthened. The debt-to-group equity ratio improved from 61.39 at December 31, 1992 to 53.47 at the end of June 1993. Trend per product sector The comparable sales growth in the Lighting sector was 2%. Income from operations increased from 1,482 million or 12.2% of deliveries to 1,488 million or 12.4%. Lower income in Europe was offset by increases in Asia and Latin America. In the Consumer Electronics sector sales fell due to declining markets and price erosion in Europe. The lower sales in Europe were partly compensated by higher sales in other parts of the world. The Consumer Electronics sector is still in a less than ideal situation (1,130 million) about a slightly lower level than in the same period last year (1,177 million). Cost reductions, the discontinuation of the personal computer business and the personal computer business and the personal computer business had a positive effect on income. Sales in the Other Consumer Products sector rose by 6%, mainly due to higher sales of Polygram. Income from operations amounted to 1,357 million compared with 1,347 million in the first half of 1992. A strong improvement in the operating income of Polygram was the result of changes in consolidations and exchange rate movements. The income from operations of Domestic Appliances and Consumer Electronics was satisfactory and virtually unchanged from the first six months of 1992. Sales in the Professional Products and Systems sector fell by 6%. However, Medical Systems showed an increase in income from operations amounting to 150 million, or 1.2% of deliveries while the corresponding period in 1992 operating income was 1,258 million or 0.6%. The deterioration is entirely attributable to Communication Systems due to weak sales and price erosion; steps are being taken to restructure this business. In Medical Systems operating income improved. The Microelectronics sector realized 5% sales growth. Income from operations increased from 1,134 million or 5.8% of deliveries to 1,144 million or 5.7%. The deviation in "costs and revenues not allocated" arises from the realization, in 1992, of substantial profits from the sale of fixed assets and from certain other gains recorded under this heading. Asset Management The disposal of assets of asset management are particularly reflected in lower working capital. Inventory levels fell from 21.0% to the present level of 20.1% of sales. Outstanding trade receivables fell from 2.2 to 1.8 months at the end of June 1993. Personnel Disregarding consolidation changes the number of employees was reduced by 5,000 in the first half year.

## STATEMENTS OF INCOME

Amounts in millions of guilders	1993	1992	1993	1992
Net sales	127,242	130,000	127,242	130,000
Income from operations	1,488	1,482	1,488	1,482
Financial income and expenses	(879)	(1,111)	(838)	(1,117)
Income before taxes	207	219	207	219
Income taxes	(28)	(94)	(91)	(214)
Income after taxes	179	125	207	219
Equity in income of unconsolidated companies	7	1	17	16
Share of other group equity in gross income	(50)	(53)	(123)	(115)
Net income from normal business operations	117	73	233	241
Extraordinary items - net	1,100	-	1,100	-
Net income	1,217	73	1,333	241
Net income from normal business operations per common share, per share 100 (in guilders)	0.27	0.26	0.78	0.78
Net income per common share, per share 100 (in guilders)	3.86	0.25	4.10	0.78

## BALANCE SHEETS, CASH FLOWS AND EMPLOYEES

Amounts in millions of guilders	June 30 1993	December 31 1992
Consolidated balance sheet	2,982	20,822
Fixed assets	10,174	20,822
Intangible assets	13,888	10,489
Receivables	14,448	15,367
Liabilities (excluding securities)	2,192	1,108
Total assets	47,487	48,646
Stockholders' equity	32,818	32,818
Other group equity	1,206	1,206
Group equity	34,024	34,024
Provisions	8,553	8,553
Long-term debt	9,276	10,822
Short-term debt	4,149	5,742
Other current liabilities	12,821	15,805
Total equity and liabilities	47,487	48,646

## Consolidated statements of cash flows

Amounts in millions of guilders	1993	1992
Cash flows from operating activities	1,328	240
Net income	1,217	241
Depreciation	1,372	1,288
Decrease (increase) in working capital	(1,259)	(2,289)
Decreases in provisions	(330)	(1,000)
Other changes	(982)	(1,191)
Net cash provided by (used for) operating activities	2,048	179
Net cash generated by (required for) investing activities	1,747	(1,709)
Financing surplus (deficit)	2,795	(1,709)
Number of employees at end of June (comparable figures at 1.1.1992: 259,800)	254,000	259,800

## PRODUCT SECTORS

Amounts in millions of guilders	1993	1992
Sales	127,242	130,000
Income from operations	1,488	1,482
Financial income and expenses	(879)	(1,111)
Income before taxes	207	219
Income taxes	(28)	(94)
Income after taxes	179	125
Equity in income of unconsolidated companies	7	1
Share of other group equity in gross income	(50)	(53)
Net income from normal business operations	117	73
Extraordinary items - net	1,100	-
Net income	1,217	73
Net income from normal business operations per common share, per share 100 (in guilders)	0.27	0.26
Net income per common share, per share 100 (in guilders)	3.86	0.25



PHILIPS



## INTERNATIONAL COMPANIES AND FINANCE

## Petrofina warns of profits decline for first half

By Lionel Barber in Brussels

PETROFINA, the oil group which is one of Belgium's largest industrial companies, yesterday warned that consolidated profits in the first half were likely to tumble to Bfr3.5bn (\$105m) compared with Bfr4.16bn last time.

The warning came with a forecast that cash-flow for the first six months of 1993 was also likely to be reduced from Bfr19bn to Bfr15.5bn. Turnover was also down from Bfr270bn to Bfr265bn.

Petrofina blamed the "persistent depression" in all industrial sectors in Europe and the US, particularly in chemicals. Margins in the first quarter were extremely weak in refining and petrochemicals, while

crude oil prices declined progressively, the company said.

In chemicals, US profits offset losses in Europe, although profitability remained below the first half of 1992. Although the European refineries enjoyed a recovery in margins, these were reduced by a four-week strike at the company's Antwerp refinery.

Results for the first half include Bfr2.5bn in gains from sales of gas properties in the US and real estate in Belgium. They also include Bfr500m in accelerated depreciation and restructuring costs.

By comparison, the 1992 half-yearly results included a write-back on a provision on stock amounting to Bfr1.3bn.

Petrofina said it hoped the slow reduction in interest rates and the rise in the value of the dollar at the end of the second quarter offered some hope of a recovery.

Petrofina was the subject of takeover speculation earlier this year, following a decision to cut its dividend for the first time since 1959, after consolidated profits fell 72 per cent to Bfr4.6bn in 1992.

Between 1991 and 1992, the company's workforce has fallen from 17,131 to 15,490. Petrofina said new facilities for the deep conversion of crude oil were in line with budgets and 40 per cent complete by the end of June.

Meanwhile, it was putting into effect a three-year restructuring plan at the Antwerp refinery.

## UK media transmitter may seek flotation

By Raymond Snoddy in London

NATIONAL Transcommunications, the UK's privatised engineering and transmitter arm of the old Independent Broadcasting Authority, is likely to seek a stock market flotation next spring.

The Hampshire-based company was bought in October 1991 by Mercury Asset Management, the fund management arm of SG Warburg, for £70m (\$104.3m).

The beginning of January is the first permissible date for a flotation, which would raise money partly for an acquisition.

The flotation could mean a windfall for NTL management, headed by chief executive Mr John Forrest. About 60 per cent of the 740 staff have shares in the company.

NTL's main business is transmitting Britain's commercial television channels and radio stations. It is expected to have a turnover of £90m next year and profits of around £15m.

However, the company has increasingly moved away from its basic activity, involving 51 high-power transmission stations and 912 local relay stations. Already 40 per cent of revenue comes from business developed since privatisation, and the company hopes this will rise to 50 per cent by next year.

One of the fastest-growing areas is digital compression technology, where the television signal is turned into digital form. The signal is then compressed by removing unnecessary information so that a number of channels can be carried in the space previously occupied by one.

NTL's customers include FilmNet, the European satellite television operator which plans to run three films on a single satellite transponder. Digital compression greatly cuts the costs of running both satellite and cable television channels.

NTL is also interested in entering the consumer end of the market through the development of decoders.

## Swedish air crash hits sector's shares

By Christopher Brown-Humes in Stockholm

SHARES of leading Swedish companies linked to the country's military aerospace programme fell sharply yesterday after the spectacular crash of a JAS 39 Gripen fighter aircraft during an air display over central Stockholm on Sunday.

The high-profile accident, in front of TV cameras and the sands of spectators at the city's annual water festival, casts a shadow over the future of the JAS project - and over Sweden's entire military aerospace programme. The project was already well behind schedule and over budget.

Shares in Investor, the key Wallenberg holding company, fell hardest, dropping nearly 5 per cent to SKr139. Investor owns Saab-Scania, which is the leading participant in the JAS manufacturing consortium along with Volvo Flygmotor, Ericsson Radar Electronics,

and FFV Aerotech (part of the newly-privatised Celstus group). Volvo's B shares fell SKr7 to SKr439 in early trading, although they later recovered some ground to end the day at SKr442. Celstus shares eased SKr2 early on, but closed unchanged at SKr155.

The crash will increase the project's cost - which already exceeds SKr600m (\$7.6bn) - and add to the delays caused by the crash of a prototype JAS aircraft during its development phase in 1989. Only if the latest accident can be blamed squarely on pilot error will the consortium be able to avoid further rigorous testing and possible system changes.

"We are looking at a minimum delay of half a year," said Mr Kjell Göthe, information officer for Swedish defence minister Anders Björck yesterday. He indicated that the extra costs would be borne by the manufacturers, not the government, although

these would be subject to discussion.

The JAS programme is well advanced, with orders for 140 aircraft from the Swedish air force already in place. For this reason alone the government is almost certain to resist calls for the project to be scrapped. Ironically, the first aircraft to be delivered, amid much pomp and ceremony in June, was the one which crashed on Sunday.

The greater danger is that the manufacturers will now find it harder to win the export orders they need to make the JAS programme a commercial success.

Consortium members have said they are aiming for orders for a total of 500 aircraft in the next 10 to 20 years. Although they have never identified potential export markets, countries in south-east Asia, Latin America, and central and eastern Europe, have all been mentioned. There was bitter disappointment last year when the

Finnish government opted to buy 57 new F16s from the US group McDonnell Douglas rather than from the JAS.

Even before Sunday's crash, there were questions as to whether Sweden could maintain a viable military aerospace industry on its own, for all its undoubted high technological expertise. Greater emphasis has been placed on co-operation with foreign groups, and talks have been held with British Aerospace, Dassault of France, and Germany's Dasa, among a number of US and European defence companies.

Mr Hans Ahlinder, managing director of the JAS industry group, said he could not say what impact the crash would have on the aircraft's costs and delivery schedule until investigators had established the cause of the accident. Investor also declined to comment, pending the investigation's outcome.

## Argentine oil group nearly doubles net

YPF, Argentina's recently-privatised oil company, nearly doubled its first half net profits, despite a relatively small rise in sales, writes John Barham in Buenos Aires. First-half earnings were \$230.3m on sales of \$1.91bn. In the same period last year it earned \$127m on sales of \$1.81bn.

Analysts said that the results were in line with the market's expectations. The company said during its privatisation in June that it estimated 1993 earnings at about \$600m. YPF's share price rose 2 per cent by midday on the news. At the end of June, the government sold 45 per cent of YPF for \$3.04bn to local and international investors, making it Argentina's largest privatisation to date and one of the world's largest equity flotations this year.

The results seem to scotch fears held by some analysts that YPF would be unable to meet its profits targets. Privately, government officials said the company could raise earnings to \$1.0bn next year as a result of strict management controls, wider margins and stronger export sales to Chile and Brazil.

## US loan guarantees to back Pemex bond issue

By Damien Fraser in Mexico City

PETROLEOS Mexicanos (Pemex), Mexico's state oil company, will use its first loan guarantees granted by the US Eximbank in 15 years to securitise a \$48m public bond offering.

Pemex has been given loan guarantees of \$379.2m to finance US drilling services and heavy marine construction in two fields in Campeche Sound, west of the Yucatan peninsula. While holding on to exploration rights, Pemex is inviting foreign and domestic oil firms to develop fields on a turn-key basis.

Under the transaction, Pemex will borrow money from a facility set up by the Union Bank of Switzerland (UBS) and guaranteed by the Eximbank. UBS will then use the facility to securitise up to \$48m of bonds. The bonds would have a triple A rating and a seven-year maturity.

Pemex described the deal as "a milestone of great importance". The transaction concludes lengthy negotiations with the Eximbank and would mark the first time a Mexican company has used loan guar-

antees to securitise public bonds, a way of lowering financial costs.

Pemex had hoped to borrow about \$750m but the fields in the Campeche Sound proved less extensive than once thought. However, the US Eximbank is considering granting Pemex two further loan guarantees of \$500m and \$200m respectively. Pemex also intends to use these loans to securitise public bonds, says Rene Schmed of UBS.

Pemex was instrumental in persuading the Eximbank and US Securities and Exchange Commission to allow loan guarantees to secure bond offerings. In the handful of such deals the Eximbank has recently completed, secured bonds trade about 40-50 basis points over Treasuries, according to UBS.

Banco Union, said net profit for the first half of 1993 was 115m new pesos, a 314 per cent rise over the corresponding year-earlier period, Reuter reports from Mexico City.

The bank reported a 93.5 per cent increase in assets to 14.2bn new pesos and said loans had increased by 32.8 per cent since the end of 1992 to 11bn new pesos.

## Papermakers turn over a new leaf

OJI PAPER, the pre-war giant of Japanese papermaking, is having to shrink a bit in order to grow again.

As a downturn in prices and demand prompts a consolidation in the industry, which like others was broken up during the US occupation, the country's paper market is attracting the attention of trade authorities in Washington and Tokyo.

Oji and Jujo Paper, which was spun off from it in 1949 as part of the dismantling of the zaibatsu industrial groups, have in the past year embarked on mergers with other producers in an attempt to tackle overcapacity.

In April, Jujo joined with Sanyo-Kokusaku Paper to become Nippon Paper Industries, and Oji is to unite in October with Kanzaki Paper to form New Oji Paper. The two combines will vie for leadership of the industry.

Analysts see modest advantages in the moves. A larger group will be able to concentrate operations on the more efficient of its mills while being better able to shift production around the country to minimise transport costs, says Mr Masato Miyaki, of Salo-

mon Bros in Tokyo. Significant job cuts, however, may be achievable only over time, if at all.

Oji has recently announced several divestments, which it said were designed to avoid falling foul of the country's anti-trust law. New Oji will, within two to three years, reduce its stakes in Japan Pulp

and Paper and Dalei Papers, two companies which trade in paper and which would each do more than one-third of their business with the merged group. The move comes at the behest of Japan's Fair Trade Commission (FTC).

In the case of Japan Pulp and Paper, which has a first section Tokyo listing, a 5 per cent holding in the company would be sold - at the current market price it would yield some ¥1.9bn (\$17m). New Oji would still own more than 11 per cent of the company.

Last month, Oji said it would divest production of certain quality coated papers to meet monopolies requirements before the merger. It is transferring production facilities and marketing rights for two types of specialist paper, used for magazine and book covers, to Chuetsu Pulp and Paper, in which Oji is the biggest shareholder with 7.5 per cent. A final sale to Chuetsu, the 12th biggest papermaker, would take place after three or four

further disposals.

Mr George Bush put the Japanese paper market on the agenda for the first time during his visit to Tokyo as US president last year, maintaining that US producers faced barriers to market entry. One swift result was that foreign companies were given more than one-third of the orders for telephone directory paper placed by Nippon Telegraph and Telephone, the semi-privatised telecoms giant. Jujo, as a result, missed out on sales put by one estimate at ¥5bn.

The distribution companies also agreed to strengthen trading ties with foreign producers, which have hitherto accounted for less than 1 per cent of the Japanese market, with sales largely of low value-added products.

Although transport costs and the just-in-time delivery requirements of Japanese printing companies are thought likely to continue to inhibit foreign companies some fear the Clinton administration may press for numerical targets on imports, as in some other industries.

For domestic producers, such a move could hardly come at a worse time.

## Gordon Cramb examines a Japanese industry which is attracting trade authority scrutiny as it consolidates

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U.S. \$250,000,000



## Crédit Lyonnais

Subordinated Floating Rate Notes Due August 1997

Interest Rate	5% per annum
Interest Period	9th August 1993
Interest Amount per U.S. \$10,000 Note due 8th November 1993	U.S. \$126.33

Credit Suisse First Boston Limited Agent

## Daewoo Corporation

U.S. \$175,000,000

Floating Rate Notes 1995

(Coupon No. 13)

Pursuant to Note conditions, notice is hereby given that for the interest period 10th August, 1993 to 10th February, 1994 (184 days), an interest rate of 5% per cent, per annum, will apply (minimum rate condition).

Amount per coupon (No. 13) - U.S. \$2,632.33 Payable on the 10th February, 1994.



The Long-Term Credit Bank of Japan, Limited London Branch Agent Bank

## PAINTS &amp; THE ENVIRONMENT: AN INDUSTRY FIGHTS BACK

The Financial Times plans to publish this Survey on THURSDAY, 25th NOVEMBER, 1993

It will be published from our print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be seen by Chief Executives and Government Officials in 180 countries worldwide.

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FT SURVEYS

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GUARANTEED  
FLOATING RATE  
BONDS DUE 2000

Notice is hereby given that for the seventh six months interest period from July 30, 1993 to January 28, 1994 the Bonds will carry an interest rate of 3.9125% per annum.

Interest payable on January 28, 1994 against coupon no 7 will amount to US\$ 197.80 per US\$ 10,000 Bond and US\$ 1,977.99 per US\$ 100,000 Bond.

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LUXEMBOURG  
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GUARANTEED FLOATING RATE  
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Floating Rate Notes due 1995

For the six months 9th August, 1993 to 9th February, 1994 the Notes will carry an interest rate of 3.95% per annum with an interest amount of US \$201.89 per US \$10,000 Note and US \$2,018.89 per US \$100,000 Note, payable on 9th February, 1994.

Bankers Trust Company, London Agent Bank

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(Incorporated in Italy)  
U.S. \$100,000,000  
Subordinated Floating Rate Depository Receipts due 2000

NOTICE IS HEREBY GIVEN that for the interest period 9th August, 1993 to 9th February, 1994 the Depository Receipts will carry a Rate of Interest of 3.50 per cent. per annum, with an interest amount of U.S. \$198.25 per U.S. \$10,000 Depository Receipt and U.S. \$1,982.50 per U.S. \$100,000 Depository Receipt. The relevant Interest Payment Date will be 8th February, 1994.

Bankers Trust Company, London Agent Bank

## GULF INTERNATIONAL BANK B.S.C.

1993 Interim Results

## INTERIM PROFITS AT RECORD LEVEL

Bahrain based Gulf International Bank (GIB) reported profits of \$38.8 million for the half year to 30th June 1993. Net income after tax and provisions was therefore 52% ahead of profits for the prior year period. The increase in profits was attributable to improved interest earnings, a significant rise in other revenues that benefited from substantially higher profits from the bank's treasury operations and to costs being contained below the prior period level. Net income was after transfers to provisions of \$25 million (1992 \$12 million). The Return on Shareholders' Equity for the period increased to 14.8% (1992 10.4%).

Total Assets rose 9.3% to \$6,747.8 million. Investment Securities increased by 91.7% to \$1,946.7 million while loan volumes recorded a modest decline. Shareholders' Equity increased to \$524 million representing 7.8% of Total Assets while the BIS Risk Asset Ratio remained comfortably above the 8% benchmark at 11.4%.

## FINANCIAL HIGHLIGHTS (Unaudited)

Six months to 30th June	1993	1992	Change %
<b>EARNINGS (US\$ millions)</b>			
Net Income after Tax	38.8	25.6	+ 51.6
Net Interest Revenue	49.7	43.4	+ 14.3
Other Income	32.5	13.1	+148.0
Operating Expenses	18.3	18.6	- 2.1

## FINANCIAL POSITION

Total Assets	6,747.8	6,176.3	+ 9.3
Loans	2,961.7	3,048.3	- 2.8
Investment Securities	1,946.7	1,015.3	+ 91.7
Shareholders' Equity	524.0	492.1	+ 6.5

## RATIOS (%)

Return on Shareholders' Equity	14.8	10.4
Return on Assets	1.1	0.8
BIS Risk Asset Ratio	11.4	14.6
Shareholders' Equity as a percentage of Total Assets	7.8	8.0
Liquid Assets Ratio	54.7	49.0

H.E. Ibrahim Abdul Karim, GIB's Chairman of the Board of Directors and Minister of Finance and National Economy of the

State of Bahrain, expressed particular satisfaction with the excellent results. He said that the bank was now well into its third year of improving profits and the 1993 interim profit was at a record level. He stated that every effort was being made to ensure continued improvement for the benefit of the Gulf Cooperation Council (GCC) States.



HEAD OFFICE: GULF INTERNATIONAL BANK B.S.C., P.O. BOX 1017, MANAMA, BAHRAIN. TEL: (973) 534000. FAX: (973) 522633

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## Cut in French overnight rate fails to impress

## Deutsche Bank four-year deal dominates quiet day

9	Debt & Loans (55)	140.88	+0.86	139.95	3.00	6.05	15 Debt & Loans	5 years	8.82	7.92	18.68
							16	10 years	9.37	8.42	10.45
							17	25 years	9.53	8.91	10.37



## On target to complete £100m divestment programme by October

# Further sale nets Lucas £9m

By Paul Taylor

LUCAS INDUSTRIES, the engineering group which is refocusing on its core activities, is on target to complete a £100m divestment programme by the end of October.

This follows yesterday's sale of its aerospace engineering and heating systems businesses.

The Luton-based business, which has assets of £2.8m, employs over 300 people and had turnover of more than £17m in 1992, has been sold to a management-led buy-out team backed by UK financial institutions for £9m, and will trade under the new name Aerospace Composite Technologies.

The management buy-out of the engineering and heating business, which is mainly involved in manufacturing high technology aircraft windows and de-icing systems, means that three of the original four businesses identified for divestment in October last year have now been sold.

Lucas' UK Autocentres business was sold to Lex Service for £13m in March, the fluid power systems business went to Sophus Berendsen for £40m the following month, and several smaller disposals have been completed during the year bringing the total raised through the divestments to about £70m.

The defence fabrications business based in Burnley,

which manufactures missile cases, and an acoustic instruments company in Hertfordshire remain for sale together with the aerospace switchgear, ignition and wiring businesses in Coventry and Newcastle-under-Lyme which were added to the list of candidates for sale in March.

Proceeds of the sales are being ploughed back into Lucas' core operations in the aerospace and automotive markets rather than being used to reduce debt, and year-end gearing is expected to remain about 44 per cent.

Yesterday's sale to the existing management was the first MBO, arranged by Lucas in conjunction with NatWest Ventures and Montague Private

Equity, which co-led and jointly funded the institutional equity requirement for the new company.

The existing management, led by Mr Phil Barrington, managing director, has taken a minority shareholding in ACT and Bank of Scotland has provided debt and working capital facilities.

ACT is a leading supplier of high technology cockpit windows for aircraft, including windows with radar-defeating "stealth" coatings and de-icing equipment for aircraft including Concorde, Tornado fighters and the Westland's new EH101 helicopter. The company also manufactures electroluminescent lighting for aircraft and other applications.

## Woolwich more than doubled at £88m

By John Gapper  
Banking Editor

WOOLWICH Building Society, the third biggest society by asset size, yesterday disclosed that it had more than doubled pre-tax profits in the first half of the year helped by a 35 per cent increase in mortgage lending.

The society, which will be displaced as the third largest if Leeds Permanent and National & Provincial merge as planned next year, raised pre-tax profit to £88m (£36m) despite a 9.8 per cent rise in bad debt provisions to £72.7m (£56.2m).

Operating profit rose 51 per cent to £160.6m (£106.7m). It also disclosed that Woolwich Property Services, the estate agency subsidiary which is one of the largest in the south-east with 257 offices, was trading profitably.

Woolwich Property Services incurred a trading loss of £11m last year, halving the previous loss. Estate agencies are heavily dependent on transaction volumes for profit, and Woolwich said contracted sales were up 20 per cent.

Assets increased by 6 per cent to £24.4bn (£22.9bn), and gross mortgage lending rose 35 per cent to £1.6bn (£1.2bn). The increase in lending was partly financed by a 50 per cent rise in net retail receipts to £390m (£260m).

Mr Donald Kirkham, chief executive, said the boost in operating profit partly reflected the depressed state of the housing market last year. But the society was also "seeing encouraging signs of improvement".

The increase in income, combined with management expenses holding steady at £155.8m (£155.4m), lowered the society's comparatively high ratio of cost to income by 10 percentage points to 49.2 per cent (59.3 per cent).

The society raised its proportion of funding from wholesale markets to 22.7 per cent (21.7 per cent) as non-retail funds in creased to £4.9bn (£4.7bn). Retail funds from savers grew to £17.9bn (£17bn).

## Westminster Health beats forecast with rise to £4.3m

By Maggie Urry

WESTMINSTER Health Care, the nursing home group, has beaten the profit forecast made at its flotation in April.

Pre-tax profits for the year to end-May were £4.28m compared to a forecast £3.85m and £1.67m in 1991-92. The shares, floated at 280p, rose 3p to 307p.

Mr Pat Carter, chief executive, said the Community Care Act, which came into effect on April 1, had boosted admissions in March, but caused a drop in April. The rate of admissions had improved since then and was back to the pre-March level.

The change to local authority - rather than central government - funding for patients in nursing homes, had led to some rise in prices, he said. The proportion of WHC's patients fully publicly funded had fallen from 58 to 48 per cent over the year, as WHC shifted the balance towards private patients, who are charged more, and contracted beds.

Mr Carter said the reforms were on balance beneficial, with local authority purchases linking price to quality and paying a wider range of prices according to needs, for instance paying more for

dementia sufferers. Also rates were varying geographically, allowing prices to rise in London and the south-east which had been poorly served in the past.

Falling land prices in these areas meant WHC was increasing the proportion of its homes in the south.

Group turnover rose 58 per cent, from £23.4m to £36.9m, partly through a 35 per cent increase in beds from 2,400 to 3,234 with 11 homes opening during the year, and through average price rises of 5 per cent.

Operating profits were £9.16m (£5.35m) and the net interest charge was £4.74m (£3.59m). The group received the £94m net proceeds of the float late in the financial year. Mr Kent Phippen, finance director, said borrowings were £52.5m at the start of the financial year, and rose by £25.8m as capital expenditure totalled £25.9m, but fell to £15m at the year end, thanks to the float proceeds.

Debt was 17.8 per cent of shareholders funds. Mr Phippen said this was projected to rise to over 30 per cent in the current year and to about 45 per cent in 1994-95. Capital spending in the current year was forecast at some £24m

with another 716 beds due to open. A further 700 beds were planned in each of the next two financial years.

After a 15 per cent tax charge, earnings per share were 12.8p (5.3p) compared to the flotation forecast of 11.7p. On a pro-forma basis, if the group had had the float proceeds for the full year, earnings per share were 18p against a forecast of 15.6p. A 0.5p dividend is proposed, as forecast.

### COMMENT

WHC has confirmed its position as one of the quality operators in the fast expanding long-term care sector with these results. The float coincided with a far-reaching shake-up in the industry, as the community care reforms came into effect, which has had a dampening effect on occupancy rates in the short term. However, WHC's homes are at the top end of the quality range and it should benefit from the long term trends in the market. The shift towards more private patients should help margins. Conservative forecasts for the current year are about £10.5m pre-tax, though some go to £11.3m. With a prospective p/e of 17, the shares are not cheap but still good value.

## Govett & Co shows advance to \$22.8m

By Philip Coggan,  
Personal Finance Editor

PRE-TAX profits at Govett & Co, the fund management company, rose 23 per cent to \$22.8m (£15m) in the six months to June 30, compared with \$18.5m. Last year's figures have been adjusted to reflect a change in accounting policy at the group's US insurance subsidiary.

Income from the institutional fund management and mutual fund business grew from \$6.34m to \$8.37m, helped by stronger stock markets, increased mutual fund sales in the US and the launch of a new investment trust. Total funds under management are now \$5bn, of which about \$1.5bn represents retail money.

London Pacific, the US insurance subsidiary, reported more than doubled income of \$8.24m (£3.36m), although \$4m of that represented one-off capital

gains. Total assets at London Pacific are now more than \$300m.

Income from the venture capital arm fell from \$3.7m to \$3.41m. Govett said that growing fee business was offset by lower placement volumes. Investment income fell back to \$4.19m (\$6.69m) as a result of lower interest rates and the company's programme of buying back about 11m shares since mid-1992.

The buy-back programme, by reducing the amount of cash held in Jersey, has also resulted in an increased tax charge to \$5.73m (\$2.74m). Fully diluted earnings per share were 25.4 cents (20.3 cents) and the interim dividend is increased 5.3 per cent from 9.5 cents to 10 cents.

The company recently announced the acquisition of a US trust company and said it hoped to get a quote on the US Nasdaq exchange shortly.

## Bakyrchik Gold ends first day 26p higher

By Kenneth Gooding,  
Mining Correspondent

SHARES IN Bakyrchik Gold, which offers an investment in a gold mining venture in Kazakhstan, formerly part of the Soviet Union, went to a premium of more than 20 per cent when trading started yesterday.

London investors were asked to provide £5m by way of a placing by stockbrokers Williams de Broe of 7.5m shares at 120p each. The shares closed last night at 146p.

Mr Kevin Foo, BK Gold's London-based chief executive, said the issue had been oversubscribed and allocations to institutions in Europe had to be scaled down.

The promoters suggest that BK Gold is the only substantial "pure gold" company listed in London and that the flotation has provided an early opportunity to invest in

Kazakhstan.

The company has a joint venture with the Kazakhstan government to develop the Bakyrchik gold mine, which has one of the world's biggest gold deposits on the republic's north-eastern steppes.

If the first phase goes well, BK Gold intends to raise a further \$75m next year to increase annual gold production from 40,000 troy ounces to 230,000 ounces.

Minproc, the Australian natural resources and engineering group, and Chelivich, a New York trading organisation, between them own 50 per cent of BK Gold.

The chairman is Mr David Hooker, previously with Aberdeen Petroleum, while two former RTZ executives are on the board. Mr Andrew Buxton, once an RTZ main board director and a non-executive director and Mr Nicholas Bridgen, is the finance director.

## BM banking facilities extended

BM Group, the engineering concern, said yesterday that its principal bankers had extended the company's banking facilities for a further period to September 6 while discussions continued regarding suit-

able longer-term finance. The company, which has debts of over £100m, is on schedule with its survival plan, which is expected to cost about £42m in redundancies, closures, disposals and write-offs.

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Come-pending dividend	Total for year	Total last year
Govett & Co	\$n 10c	Sept 1	9.5	10	9.5
Mid Wynd Ltd	\$n 3.6	Oct 22	3.6	6	6
Westminster Health	\$n 0.5	Oct 4	0.5	0.5	0.5

Dividends shown pence per share net except where otherwise stated. \*US cents gross.

8,000,051 American Depositary Shares

Representing

80,000,510 Ordinary Shares

TEVA

Teva Pharmaceutical Industries Limited

2,000,000 Shares

Lehman Brothers International

Merrill Lynch International Limited

NatWest Securities Limited

Furman Selz Incorporated

BNP Capital Markets Limited James Capel &amp; Co. Limited Robert Fleming &amp; Co. Limited MeesPierson UBS Limited

This tranche was offered outside the United States.

6,000,051 Shares

Lehman Brothers

Merrill Lynch &amp; Co.

NatWest Securities Limited

Furman Selz Incorporated

Bear, Stearns & Co. Inc. Alex. Brown & Sons Incorporated Hambrecht & Quist Incorporated Kidder, Peabody & Co. Incorporated  
 Montgomery Securities Oppenheimer & Co., Inc. PaineWebber Incorporated Wertheim Schroder & Co. Incorporated  
 Sanford C. Bernstein & Co., Inc. Dofst & Co., Inc. First Equity Corporation of Florida Pennsylvania Merchant Group Ltd  
 The Robinson-Humphrey Company, Inc. Stifel, Nicolaus & Company Incorporated Tucker Anthony Incorporated Unterberg Harris

This tranche was offered in the United States.

August 1993

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NOTICE TO THE HOLDERS OF

Taihei Kogyo Co., Ltd. (the "Company")

Bearer Warrants to subscribe for shares

of common stock of the Company (the "Shares")

Guaranteed Bonds due 1995 ("Warrants").

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## Barlow Rand Limited

(Registration number 0200095/06)  
(Barlow Rand)

### Notice to shareholders and cautionary announcement

#### Proposals

It was announced on 22 June 1993 that the board of directors of Barlow Rand ("the board") had examined proposals which would result in the shareholders of Barlow Rand holding, in addition to their existing shares in Barlow Rand, separate interests in CG Smith Limited ("CG Smith") and Reunert Limited ("Reunert").

The board has decided to extend these proposals such that:

- shareholders in Barlow Rand will acquire, in addition to interests in CG Smith and Reunert, separate interests in Rand Mines Limited ("Rand Mines") (which company holds 77% of Randco Limited) and Rand Mines Properties Limited ("RMP");
- Barlow Rand will exchange its 50% interest in ISG Holdings (Proprietary) Limited, which company holds approximately 60% of the shares in Information Services Group Limited ("ISG"), for the 50% interest in ISM Trust in Persetech Holdings (Proprietary) Limited ("Persetech"), which company holds approximately 58% of the shares in Persetech Limited; and
- Reunert will acquire from Barlow Rand its residual holding of all the shares in Persetech and the South African businesses of the Noshu and National Panasonic divisions.

#### Reconstitution of Barlow Rand

Upon implementation of the proposals, Barlow Rand's principal interests will comprise its 79% shareholding in J. Bibby & Sons PLC, its 80% shareholding in Pretoria Portland Cement Limited, and its wholly-owned interests in the businesses engaged in capital equipment, motor vehicle and building materials distribution, tube manufacturing and steel merchandising, domestic appliances and paint manufacturing.

So as to repay debt and to be funded appropriately after its reconstitution, Barlow Rand has disposed of 3,531,000 CG Smith shares, 2,397,000 ordinary Reunert shares, 1,118,000 Rand Mines shares and 1,188,000 RMP shares, being 7.5% of the issued share capitals of those companies, to South African Mutual Life Assurance Society at the market value of the shares on 8 July 1993. The aggregate consideration, which was received in cash, amounted to R907 million.

#### Executive directors

Upon implementation of the proposals the participation/responsibilities of the executive directors of Barlow Rand will be re-aligned as follows:

- Mr W A M Clewlow will remain chairman of Barlow Rand and Messrs R K J Chambers, J E Gomersall, E M Groeneweg and R M Mansell-Jones will continue as directors. Messrs D E Cooper, B P Connellan, M Dennis, A J Ellingford, J C Hall, C C Parker, A A Sealey, R A Williams and C Wolpert will cease to be directors of Barlow Rand;
- Mr Cooper will become chairman and Mr Williams vice-chairman of CG Smith. Mr Connellan will continue to be a director and Messrs Dennis and Wolpert will be appointed as directors of CG Smith. Mr Clewlow will cease to be a director;
- Mr Parker will remain as chairman and Mr Ellingford as managing director of Reunert. Messrs Clewlow and Cooper will cease to be directors; and
- Mr Hall will continue as chairman of Rand Mines and RMP. Messrs Groeneweg and Mansell-Jones will cease to be directors of Rand Mines.

#### Cautionary announcement

The implementation of these proposals is subject to the necessary approvals and satisfactory resolution of various legal and technical issues. Shareholders of Barlow Rand are consequently advised to continue to exercise caution in dealing in their shares.

A detailed announcement will be made by 30 September 1993 and the implementation of the proposals should be completed by the end of February 1994.

Sent on  
9 August 1993

#### Merchant bank



Standard Merchant Bank Limited  
(Registration number 64/068/006)

#### Sponsoring broker



Ferguson Bros., Hall, Stewart & Co Inc  
(Registration number 72/080/021)

(Member of The Johannesburg Stock Exchange and the South African Futures Exchange)

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## GENCOR LIMITED

(Incorporated in the Republic of South Africa)  
Registration Number 11/1232/06  
Formerly General Mining Union Corporation Limited

### NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

Notice is hereby given that a general meeting of the shareholders of the company will be held in the boardroom, ground floor, Union Corporation Building, 74-78 Marshall Street, Johannesburg, at 9:30 on Tuesday, 31 August 1993, for the purpose of considering and, if deemed fit, passing, with or without modification the following resolution:

AS AN ORDINARY RESOLUTION  
"RESOLVED that the directors of the company be and are authorised to distribute by way of a dividend in specie to its ordinary shareholders, registered as such on an unbinding record date to be determined by the directors, 77 071 079 ordinary shares in Gencor Limited (Registration number 68/0208/06) ("Gencor"), 216 022 130 ordinary shares in Gencor Investments Limited (Registration number 05/3237/00) ("Gencor Inv"), 20 988 577 ordinary shares in Malhotra Limited (Registration number 04/0268/06) ("Malhotra") and 54 795 848 ordinary shares in Sappi Limited (Registration number 05/0896/06) ("Sappi") in a ratio which will result in each ordinary shareholder receiving, for every 100 ordinary shares, in registered or bearer form, held in the company, approximately:

- 5,600 ordinary shares in Gencor; and
- 15,078 ordinary shares in Gencor Inv;
- 1,525 ordinary shares in Malhotra; and
- 1,981 ordinary shares in Sappi;

and as regards fractional entitlements thereto to aggregate, sell and remit the cash proceeds, net of costs, to the ordinary shareholders concerned."

The holder of a share warrant to bearer, who wishes to attend or be represented at the meeting, may obtain information regarding the formalities to be complied with on application to Gencor (U.K.) Limited.

Copies of a Circular to Shareholders incorporating a notice of general meeting are available from:

- Gencor (U.K.) Limited, 30 Ely Place, London EC1N 6UA
- Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle
- Credit Suisse, Paradeplatz 8, Postfach 5901 8021 Zurich
- Union Bank of Switzerland, Paradeplatz 45, Postfach 645, CH-8001 Zurich
- Credit du Nord, Services aux Emisseries de Titres, 34 Rue des Mathurins, 75009 Paris

Holders of Share Warrants to Bearer wishing to receive a voting certificate (with form of proxy attached) must deposit their share warrants with one of the above mentioned offices not less than five clear days before the said meeting.

Further information including coupon no. 143 instructions will be advertised on or about 24 September 1993.

per pro GENCOR (U.K.) LIMITED  
London Secretaries  
M Taylor

10 August 1993

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## COMPANY NEWS: UK

# Aspects that may shape investor choice

Christopher Price examines the recovery potential of the hotel and leisure sector

THE 70,000 shareholders in Queens Moat Houses and Resort Hotels might be forgiven for choosing to ignore stock market talk of the recovery potential in the hotel and leisure sector.

Trading in the shares of the two groups was suspended in March and July respectively - in each case while their financial positions were examined. Yet the sector has still managed to outperform the rest of the stock market for most of the year, buoyed by increasingly bullish research from analysts.

Mr Paul Slatery, at Kleinwort Benson, the stockbroker, says: "The strong share performance by hotel stocks so far in 1993, in spite of the horrors of the two suspensions, indicates the extent to which investors have put their faith in recovery."

Queens Moat shares were suspended after the group failed to make a 57m preference dividend payment. It has since negotiated a standstill of its £1bn debt. Only three of the original 16-member board remain as directors. Resort, meanwhile, has followed Queens Moat's lead and called in independent accountants to examine its books after concerns arose over what the company called "a number of financing and reporting issues".

The suspension of two of the sector's most visible companies comes at what many analysts see as the end of one of the industry's most traumatic periods. As the recession bit, the receiver became the second

largest hotel owner in the country amid a slump in earnings and a jump in debts. Investors also suffered dividend cuts. Forte, the UK's largest quoted hotel group, reduced its dividend payment in April for the first time in 20 years.

Despite this, demand for hotel stocks has been growing. However, the sector's problems have undoubtedly changed investors' stock selection. One fund manager said that while the recovery potential of the hotel sector was undeniable, committing funds to it had become more challenging. "Investors are now much more sensitive to the quality of management," he says.

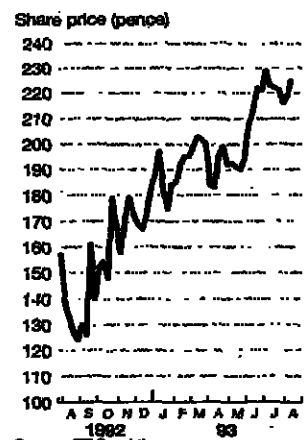
On the other hand, Mr Peter Hillier at BZW, the stockbroker, believes investor confidence has been left largely unscathed. He says it is the banks which are reluctant to return to the sector, having been burdened with numerous bad debts from bankrupt hotels.

However, evidence of a recovery in the hotel market remains debatable and is firmly handcuffed to any revival in the domestic economy.

Industry observers suggest that the London market has hardened in the last quarter. Room demand is some 8 per cent up, although achieved room rates have fallen slightly as hoteliers offer budget deals to make up the seasonal shortfall in business years. The combined impact on revenue is moderately positive, according

#### Porte

Share price (pence)



Source: FT Graphics

to one hotel company director. But the same executive admits that the provinces remain "flat and soggy".

Most industry analysts accept that recovery will be sluggish this year, although London business should be buoyed by an increase in US tourists. There is also talk of inflation-busting price increases being pushed through in the 2-star bracket. An industry-wide acceleration in business is predicted in 1994, with much improved profits being delivered in 1995.

Concluding that the industry "is facing a better outlook than at any time over the last four years", BZW forecasts that earnings for the quoted hoteliers will grow by 46 per cent this year and 40 per cent the year after, compared with mar-

ket averages of 15 and 16 per cent respectively.

Not everyone in the leisure market agrees. Hefty turnover in Forte and Ladbrokes shares on the London market in recent weeks is testimony to a classic two-way pull, as those looking to buy for the recovery have been met by a wave of sellers untrusting of the troubled sector.

For instance, a 2 per cent stake in Forte recently sold into the market by one institution was snapped up by another, pushing turnover to 29m shares in one day, the highest ever daily volume in Forte shares.

Mr Jason Holden, at NatWest Securities, which last week reiterated its "sell" advice on Forte, remains cautious over the sector's recovery prospects. "We do not doubt that trading profits are set to improve, but the hotel industry post the recession is going to be fundamentally different to that of the glory days of the late 1980s. Some in the stock market have not yet taken this on board."

The 1980s saw the sector being driven as much by asset price inflation as by the fundamentals of the hotel business. Many in the market believe that after the recession, with asset inflation virtually eliminated, investor attention will shift in favour of other criteria in judging performance.

Most analysts believe that those companies with realistically-valued assets in their balance sheets will do best. In addition, low-cost business hotels with strong brands,

such as Forte's Travel Lodge and Whitbread's Travel Inn, are seen as having the best margins against the luxury end of the market.

Added to an experienced and visible management to reassure the more nervous investor, these are the aspects of the business likely to shape investor choice.

Stakis, which has taken the pain of over-priced assets in its balance sheet recently, has crept on to several brokers' "buy" lists in recent weeks. The shares, which stood at 111p four years ago, have recovered from their low-point of 22p some 18 months ago and have climbed to 53p.

Friendly Hotels, which has suffered on the back of Stakis's suspension, has ridden criticism that its management is not visible enough, and the shares have also gathered support lately.

Valuation worries continue to surround Forte and Ladbrokes, although the former wins most specialists' vote for its strong brands and management changes.

Although by no means unanimous, many analysts believe the rebound in Forte's profits will be strong. Smith New Court, the stockbroker, is forecasting a more than doubling of profits at Forte over the next two years - a figure it agrees is "aggressive".

However, Smith's Mr Bruce Jones asserts: "Our estimates may be six months too late. But the sector is on the turn. The profit bounce potential at Forte is considerable."

## NEWS DIGEST

### Exceptional behind rise at CCS

AN exceptional credit arising from restructuring was behind a return to the black at CCS Group, the USM-quoted builders' merchant.

After the credit of £1.49m, pre-tax profits for the half year to April 30 amounted to £1.5m, against losses of £38,000.

G Blagg, the group's sole trading subsidiary, returned "creditable figures in a difficult

environment" directors said. Operating profits were £30,000 (£26,000).

Earnings per share emerged at 5.47p (losses of 0.24p) or 0.1p (losses of 0.08p) excluding exceptional.

The directors were currently engaged in discussions which could lead to "significant developments" in the company's interests.

Far East drilling programme. Under the scheme, Dragon has farmed out interests in Korea and Thailand and acquired a minimum 13.75 per cent stake in a Philippines licence.

The farm-out is with two Philippine companies, Basic Petroleum & Minerals and Palawan Oil and Gas Exploration.

The farm-out is with two Philippine companies, Basic Petroleum & Minerals and Palawan Oil and Gas Exploration.

Nova Scotia. The Canadian company distributes pumps and process equipment, including Moyno progressing cavity pumps, Milton-Roy metering pumps, and Roots positive displacement blowers.

It will be merged with the industrial products division regional branch in Dartmouth of Peacock, the Canadian subsidiary. The price was not disclosed.

29% asset growth for Mid Wynd Intl

Over the 12 months ended

June 30 net asset value of Mid Wynd International Investment Trust rose from 280.9p to 362.3p per share.

This increase of 29 per cent was the best for ten years, the managers reported.

The \$4.5m (\$3m) loan was repaid in April, the bonds which it financed having been sold. Since 1989 that exercise had produced a capital profit of \$900,000 - 18p per share - as well as gains to revenue.

For the year gross investment income came to \$769,000 (\$760,000) and earnings per share to 7.07p (6.34p). The dividend is again 6p with an unchanged final of 3.6p.

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 9, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN	COUNTRY	£ STG	US \$	D-MARK	YEN
Algeria	211.75	141.64	834.01	1391.32	Guinea	13.5124	0.0491	3.2926	1.6328
Angola	164.33	107.12	615.45	1024.05	Guinea-Bissau	13.5124	0.0491	3.2926	1.6328
Argentina	28.50	18.912	11.676	18.912	Haiti	17.294	0.063	0.405	2.054
Australia	1.53	1.00	0.736	1.00	Hong Kong	1.00	0.78	5.00	7.75
Austria	13.76	9.36	5.536	9.36	Hungary	1.00	0.78	5.00	7.75
Bahamas	1.00	0.78	5.00	7.75	India	1.00	0.78	5.00	7.75
Bahrain	1.00	0.78	5.00	7.75	Indonesia	1.00	0.78	5.00	7.75
Barbados	1.00	0.78	5.00	7.75	Israel	1.00	0.78	5.00	7.75
Belgium	1.00	0.78	5.00	7.75	Italy	1.00	0.78	5.00	7.75
Belize	1.00	0.78	5.00	7.75	Japan	1.00	0.78	5.00	7.75
Bermuda	1.00	0.78	5.00	7.75	Korea	1.00	0.78	5.00	7.75
Bhutan	1.00	0.78	5.00	7.75	Laos	1.00	0.78	5.00	7.75
Bolivia	1.00	0.78	5.00	7.75	Lebanon	1.00	0.78	5.00	7.75
Bosnia	1.00	0.78	5.00	7.75	Libya	1.00	0.78	5.00	7.75
Botswana	1.00	0.78	5.00	7.75	Lithuania	1.00	0.78	5.00	7.75
Brazil	1.00	0.78	5.00	7.75	Luxembourg	1.00	0.78	5.00	7.75
Bulgaria	1.00	0.78	5.00	7.75	Macao	1.00	0.78	5.00	7.75
Burkina Faso	1.00	0.78	5.00	7.75	Madagascar	1.00	0.78	5.00	7.75
Burundi	1.00	0.78	5.00	7.75	Malawi	1.00	0.78	5.00	7.75
Cambodia	1.00	0.78	5.00	7.75	Malaysia	1.00	0.78	5.00	7.75
Cameroon	1.00	0.78	5.00	7.75	Maldives	1.00	0.78	5.00	7.75
Canada	1.00	0.78	5.00	7.75	Mali	1.00	0.78	5.00	7.75
Cape Verde	1.00	0.78	5.00	7.75	Malta	1.00	0.78	5.00	7.75
Cayman Is.	1.00	0.78	5.00	7.75	Mauritania	1.00	0.78	5.00	7.75
Central Bank	1.00	0.78	5.00	7.75	Mauritius	1.00	0.78	5.00	7.75
Chad	1.00	0.78	5.00	7.75	Mexico	1.00	0.78	5.00	7.75
Chile	1.00	0.78	5.00	7.75	Moldova	1.00	0.78	5.00	7.75
China	1.00	0.78	5.00	7.75	Monaco	1.00	0.78	5.00	7.75
Colombia	1.00	0.78	5.00	7.75	Mongolia	1.00	0.78	5.00	7.75
Costa Rica	1.00	0.78	5.00	7.75	Morocco	1.00	0.78	5.00	7.75
Cote d'Ivoire	1.00	0.78	5.00	7.75	Mozambique	1.00	0.78	5.00	7.75
Croatia	1.00	0.78	5.00	7.75	Nicaragua	1.00	0.78	5.00	7.75
Cuba	1.00	0.78	5.00	7.75	Niger	1.00	0.78	5.00	7.75
Cyprus	1.00	0.78	5.00	7.75	Nigeria	1.00	0.78	5.00	7.75
Czech Rep.	1.00	0.78	5.00	7.75	Romania	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Russia	1.00	0.78	5.00	7.75
Dominica	1.00	0.78	5.00	7.75	Saudi Arabia	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Senegal	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Seychelles	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Sierra Leone	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Singapore	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Slovakia	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Slovenia	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	South Africa	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Spain	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Ukraine	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Uzbekistan	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Venezuela	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Yemen	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Zambia	1.00	0.78	5.00	7.75
Dominican Rep.	1.00	0.78	5.00	7.75	Zimbabwe	1.00	0.78	5.00	7.75











## FT-SE     Advances Share Index     RUSSELL 2000

2986.4 +16.6	
	Aug 8 ch
FT-SE 100	2986.4
FT-SE Mid 250	3389.4
FT-SE Mid 250 ex Inv Trusts	3413.2
FT-SE-A 350	1498.6
FT-SE SmallCap	1686.78
FT-SE SmallCap ex Inv Trusts	1676.56
FT-A ALL-SHARE	1480.86
1 CAPITAL GOODS(214)	1073.77

1 CAPITAL GOODS(214)	1073.77	+0.6	1361.26	1055.45	1055.41	706.43	3.72	3.95	35.51	21.41	1260.93
2 Building(214)	1158.57	+1.2	1158.57	1121.12	1117.75	773.41	4.01	3.94	11.58	19.84	1158.57
3 Construction, Construction(2)	3925.53	+0.2	988.36	970.69	970.79	552.74	3.11	1.32	80.00	14.25	1330.63
4 Commercial(214)	3151.56	+0.6	1816.38	3135.31	3136.79	2024.28	4.24	6.22	77.76	67.43	1256.66
5 Electronics(20)	2304.85	+0.0	2890.75	2377.20	2282.81	1864.68	5.96	5.76	1.42	32.71	1371.58
6 Engineering/Aerospace(7)	442.81	+1.3	431.10	430.18	429.82	410.20	3.23	1	6.41	150.98	442.81
7 Energy(20)	626.79	+0.7	622.36	618.58	608.65	423.00	3.47	5.75	21.99	11.23	1252.42
8 Metals & Metal Fabricating(10)	458.70	+0.4	457.57	456.31	455.69	275.98	2.37	1	0.37	146.45	458.70
9 Nonferrous(20)	405.11	+0.7	405.11	405.11	405.11	307.38	2.37	1	0.37	23.83	405.11
10 Other Industrials(10)	2227.88	+0.4	2225.49	2206.42	2187.96	1560.43	4.04	5.10	23.43	61.00	1154.00
11 CONSUMER DURABLES(20)	1658.43	+0.1	1658.15	1642.28	1642.18	1494.10	3.48	3.77	17.95	29.85	961.87
12 Brewers and Distillers(20)	1946.43	+1.7	1914.57	1806.95	1886.99	1626.64	3.78	7.94	15.21	42.07	962.05
13 Food Manufacturing(20)	1313.88	+0.6	1313.88	1302.41	1304.76	1016.33	3.74	7.44	16.05	27.47	1016.33
14 Food Retailing(17)	2384.42	+0.6	2388.77	2383.61	2376.28	2079.40	3.24	6.97	13.83	48.09	901.91
15 Health & Healthcare(20)	3250.19	-1.8	3308.19	3276.25	3263.30	337.79	3.79	8.74	17.33	41.13	972.29
16 Household Consumer(19)	1391.47	+0.3	1391.47	1386.13	1386.13	1162.65	3.79	7.44	16.05	27.47	1016.33
17 Media(3)	2069.30	+0.0	2075.21	2047.66	2028.96	1413.47	3.54	4.88	34.76	29.91	1180.77
18 Packaging and Paper(24)	876.21	-	876.21	876.16	876.06	714.54	3.37	5.49	22.43	14.96	1141.64
19 Shoes(8)	1241.91	+0.4	1226.37	1222.32	1218.33	925.05	2.89	5.65	22.55	18.98	1046.48
20 Textiles(19)	911.58	+0.1	911.58	911.58	911.58	744.54	3.37	5.49	22.43	14.96	1141.64
21 OTHER GROUPS(41)	1583.36	-0.56	1541.41	1545.18	1542.30	1170.90	4.11	7.11	17.00	21.26	1108.41
22 Business Services(27)	1677.94	+0.1	1679.60	1634.24	1633.21	1303.81	2.74	7.00	16.30	21.29	1117.05
23 Chemicals(17)	1558.17	-0.87	1575.03	1566.80	1567.75	1701.37	4.14	0.28	1	3.56	141.26
24 Conglomerates(11)	3111.14	+0.05	1504.28	1498.12	1470.78	1173.87	5.07	7.00	15.95	26.31	1183.45
25 Transport(19)	1511.10	+0.0	2194.30	2192.32	2191.06	1188.78	3.67	4.94	23.42	58.31	1188.45
26 Other(19)	1511.10	+0.0	1511.10	1511.10	1511.10	1188.78	3.67	4.94	23.42	58.31	1188.45
27 Telephone Networks(14)	1827.19	+0.2	1834.34	1820.87	1817.35	1351.45	3.65	5.83	21.87	8.22	1195.95
28 Water(13)	3365.11	-0.31	3361.52	3362.72	3365.38	2683.90	5.27	13.85	8.45	106.71	807.84
29 Miscellaneous(23)	2331.95	+0.0	2270.88	2223.15	2244.45	1878.98	4.42	6.05	14.56	76.76	996.69
30 INDUSTRIAL GROUPS(8)	1496.33	+0.4	1490.72	1477.12	1475.34	1193.45	3.74	6.29	19.48	28.39	1068.68
31 Oil & Gas(16)	2563.61	+0.7	2546.30	2521.89	2526.12	1756.72	3.27	5.45	23.25	48.85	1166.64
32 "SOP" SHARE INDICES(8)	1581.09	+0.4	1768.61	1750.05	1658.94	1299.68	4.80	6.20	38.15	107.05	1007.00
33 FINANCIAL SERVICES(214)	1136.62	-0.28	1125.32	1116.77	1112.44	854.61	3.71	3.29	45.29	22.73	1328.99
34 Bank(214)	1136.62	+1.32	1077.23	1151.27	1106.78	879.59	3.44	4.01	34.39	30.77	1328.99
35 Insurance (Life)(8)	2033.77	+0.0	1816.38	2071.12	2071.12	1552.42	4.73	4.73	26.47	47.47	1189.67
36 Insurance (Comp/other)(7)	744.32	+0.1	730.76	734.10	734.00	656.56	4.18	1	1.60	121.29	744.32
37 Insurance Broker(10)	955.45	+0.5	920.38	950.01	947.36	712.68	3.78	5.25	27.00	16.62	1099.78
38 Merchant Banker(8)	786.48	+0.6	781.07	773.73	753.82	407.48	2.87	5.78	21.47	12.33	1041.94
39 Property(20)	916.48	+0.7	918.03	972.64	1090.1	903.34	4.17	4.11	32.37	19.48	1582.94
40 Other(20)	916.48	+0.7	918.03	972.64	1090.1	903.34	4.17	4.11	32.37	19.48	1582.94
41 Investment Trusts(10)	1629.98	+0.3	1624.47	1610.49	1605.11	1068.03	2.52	2.00	48.96	22.58	1238.44
42 FT, ALL-SHARE(8)	1486.86	+0.57	1473.42	1461.05	1458.84	1107.35	3.74	5.80	22.76	78.08	1114.77

[illegible]

## NEW HIGHS AND LOWS FOR 1993

Most food manufacturing stocks also spent another session under a cloud as BZW advised clients to stay underweight. Despite this, Northern Foods managed a rise of 3 to £170, while Dalgety put on 6 to £81p.

The financial sectors of the market continued to power ahead, led by the banks. Standard Chartered maintained its recent outstanding performance, breaching the 900p level for the first time and settling at a record closing level of £89p, a new high of 15 ahead of the Bank of America's interim figures.

Dealers expect the bank to report exceptionally good results, which will be boosted by the bank's pre-eminent position in trading in so-called "exotic" currencies, outside of the big D-mark, dollar, Yen and sterling activities. "There are big profits in trading in exotic currencies, where dealing spreads are much wider and margins higher," said one banks specialist.

A growing stock shortage drove HSBC shares higher,



**MARKET REPORTERS:**  
Steve Thompson,  
Christopher Price,  
Zhang Tingting.

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[illegible]

## Conclusion

No.8,224 Set by QUARK

**DOWN**

- 1 Preclude drinking place? One's caught, Cruel (3)
- 2 We hear the perfume's cheaper removed from the college (4,4)
- 3 Drug ring head's one captured (6)
- 5 Cheese, processed, going up (4)
- 6 Standard means for processing cheese? (8)
- 7 The man's bit of advice at home to recover (8)
- 8 Cowardly shout with exclamation of pain (6)
- 11 Police disturbed about source of murder controversy (7)
- 14 Cause to settle kind of account (7)
- 17 Mad rush - MO's outside with order to expend rapidly (8)
- 18 In support of, since perhaps used in court of law (6)
- 19 Place for crafts in hospital in mining town (8)
- 22 Working groups in the county (6)
- 23 The head's style? (6)
- 24 Do one a favour. Bind? (6)
- 27 Part of the piano needing returning in a short while (4)

(7) CATCH RACECARDS

## EQUITY PORTFOLIOS ARE

of imminent interest rate cuts backed by a bullish equity market run, were an echo of the last two weeks' trading, and there were few investors left who wanted to be convinced of the recovery story.


Trading in September during the morning session was marked by a dearth of buyers as the contract edged forward. The first trade was struck at

Traded options volume was also weak, with just 19,000 contracts being traded, around half the previous session's total. The FT-SE contract traded 4,266, with the Euro FT-SE at 1,541.

Royal Insurance topped the list of stock options, reaching 7,732 by the close. This was followed by Hanson on 1,024

**JOTTER PAD**

100



B	R	O	A	D	S	I	V	A	O	N	E	A
O	B	E	M	A	O	R	E					
N	E	A	R	I	N	G	N	E	X	T		
E	D	M					E	W	I			
			S	T	E	N	S	E	S	S	I	O
M	S	E	A	U	I	T	T					
O	T	H	E	R	S	U	N	B	A	T	H	E
T	O	N	G	T	L	D	U					
H	O	R	S	E	H	A	I	R	V	I	D	
E	E	E	R	A	I	A	E					
R	O	D	S	H	A	R	P	A	N	S	W	E







## INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995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## AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4978 for more details.

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

[illegible]

**BERMUDA (SIB RECOGNISED)**

[illegible]

**GBC Asset Management**

[illegible]

...ing Money	0	27.110	2.25	2.25
...n Money	0	78.198	4.55	4.55
...uchment Money	0	88.257	4.02	4.02
...t Franch Money	0	82.880	4.05	4.14

1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	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fundamental strategy of the U.S. is to "unify" and "direct" the Israeli representative process. "The territorial position of the state is but a democratic movement oriented toward being a sensitive, without it and negotiatus entity of

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Franc weakens on rate cut

THE French franc weakened sharply against the D-Mark yesterday after the Bank of France decided to ease monetary policy for the first time since the widening of the exchange rate mechanism's bands, writes James Blin.

The Bank of France cut its overnight rate of lending from 10 per cent to 9.75 per cent. The move immediately led to a sharp weakening of the franc from about FF3.490 to FF3.509, a drop of nearly 2 centimes. The currency recovered as European trading continued, but at the London close it was still down 1.5 centimes, closing at FF3.507.

Last week, the Bank of France managed to keep the franc above the FF3.50 level by keeping liquidity low in its money market.

But yesterday's move smacked of the worst of all worlds: showing the market that interest rates are coming down and that there will be a smaller premium on francs, but not sufficiently boosting the French economy to promote the franc on more fundamental grounds.

With a poor foreign exchange reserve position, France may have to take a cautious approach on rate cutting.

to keep the franc strong. But the prospects for maintaining franc fort against the D-Mark look bleak, whatever happens to interest rates.

At the weekend, Mr Johann Wilhelm Gaddum, the Bundesbank vice-president, said that the market should expect German interest rates to come down quickly, despite the additional liquidity in the market. This helped to push the D-Mark up against most European currencies yesterday.

Moreover, dealers think that European central banks will buy D-Marks in waves in the next few months to repay the Bundesbank for supporting their currencies in the recent crisis. The Bundesbank needs to drain the markets of D-Marks to restore money supply growth to its target range.

Those factors helped to push down the Danish krone and the Belgian franc yesterday in spite of the continuing tightness of policy in money

markets.

The Belgians waived their money market tender, but their currency fell to a low of BF21.403 and later closed at BF21.54. The Danish krone closed at DK4.0424 to the D-Mark having been as low as DK4.0532 at one stage.

Floating currencies also fared badly against a background of D-Mark appreciation. The dollar closed at DM1.8970 down from a previous DM1.9975, despite a lack of any new data in the US. Sterling lost 3/4 of a penny against the D-Mark, despite strong credit business figures for June. It closed at DM2.5350.

In both cases the fall may partly have been due to both these currencies losing their safe haven status as calm returns to European markets.

The Italian lire, however, closed at LS25.51 to the D-Mark and closed in London at LS25.31 amid expectations of sharp cuts in Italian interest rates.

## EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Dividend
D-Mark	100	1.9362	-1.57	6.13	-
French Franc	100	1.9362	-1.57	6.13	-
Italian Lira	100	1.9362	-1.57	6.13	-
Spanish Ptas	100	1.9362	-1.57	6.13	-
Portuguese Esc	100	1.9362	-1.57	6.13	-
Belgian Franc	100	1.9362	-1.57	6.13	-
Dutch Guilder	100	1.9362	-1.57	6.13	-
Swedish Krona	100	1.9362	-1.57	6.13	-
Norwegian Krone	100	1.9362	-1.57	6.13	-
Finland Mark	100	1.9362	-1.57	6.13	-
Irish Pounds	100	1.9362	-1.57	6.13	-
UK Pounds	100	1.9362	-1.57	6.13	-

Source: Reuters. All rates are for 100 units of the foreign currency against 100 units of the D-Mark. Percentages are based on the previous day's closing rate.

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## FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GULF FUTURES OPTIONS  
Settlements 100000 lots of 10000

Strike	Call	Put	Settlements
100	2.35	2.37	1.09
110	1.43	1.17	1.13
120	0.61	0.48	1.20
130	0.28	0.20	1.26
140	0.12	0.08	1.34
150	0.04	0.04	1.41
160	0.02	0.02	1.48
170	0.01	0.01	1.55
180	0.01	0.01	1.62
190	0.01	0.01	1.69
200	0.01	0.01	1.76
210	0.01	0.01	1.83
220	0.01	0.01	1.90
230	0.01	0.01	1.97
240	0.01	0.01	2.04
250	0.01	0.01	2.11
260	0.01	0.01	2.18
270	0.01	0.01	2.25
280	0.01	0.01	2.32
290	0.01	0.01	2.39
300	0.01	0.01	2.46
310	0.01	0.01	2.53
320	0.01	0.01	2.60
330	0.01	0.01	2.67
340	0.01	0.01	2.74
350	0.01	0.01	2.81
360	0.01	0.01	2.88
370	0.01	0.01	2.95
380	0.01	0.01	3.02
390	0.01	0.01	3.09
400	0.01	0.01	3.16
410	0.01	0.01	3.23
420	0.01	0.01	3.30
430	0.01	0.01	3.37
440	0.01	0.01	3.44
450	0.01	0.01	3.51
460	0.01	0.01	3.58
470	0.01	0.01	3.65
480	0.01	0.01	3.72
490	0.01	0.01	3.79
500	0.01	0.01	3.86
510	0.01	0.01	3.93
520	0.01	0.01	4.00
530	0.01	0.01	4.07
540	0.01	0.01	4.14
550	0.01	0.01	4.21
560	0.01	0.01	4.28
570	0.01	0.01	4.35
580	0.01	0.01	4.42
590	0.01	0.01	4.49
600	0.01	0.01	4.56
610	0.01	0.01	4.63
620	0.01	0.01	4.70
630	0.01	0.01	4.77
640	0.01	0.01	4.84
650	0.01	0.01	4.91
660	0.01	0.01	4.98
670	0.01	0.01	5.05
680	0.01	0.01	5.12
690	0.01	0.01	5.19
700	0.01	0.01	5.26
710	0.01	0.01	5.33
720	0.01	0.01	5.40
730	0.01	0.01	5.47
740	0.01	0.01	5.54
750	0.01	0.01	5.61
760	0.01	0.01	5.68
770	0.01	0.01	5.75
780	0.01	0.01	5.82
790	0.01	0.01	5.89
800	0.01	0.01	5.96
810	0.01	0.01	6.03
820	0.01	0.01	6.10
830	0.01	0.01	6.17
840	0.01	0.01	6.24
850	0.01	0.01	6.31
860	0.01	0.01	6.38
870	0.01	0.01	6.45
880	0.01	0.01	6.52
890	0.01	0.01	6.59
900	0.01	0.01	6.66
910	0.01	0.01	6.73
920	0.01	0.01	6.80
930	0.01	0.01	6.87
940	0.01	0.01	6.94
950	0.01	0.01	7.01
960	0.01	0.01	7.08
970	0.01	0.01	7.15
980	0.01	0.01	7.22
990	0.01	0.01	7.29
1000	0.01	0.01	7.36

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
101	102	103	104	105	106	107	108	109	110	111	112	113	114	115	116	117	118	119	120	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200
201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300
301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400
401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500
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## AMERICA

## Dow at record high after budget victory

## Wall Street

US SHARE prices surged to record highs yesterday morning after bond yields dropped sharply in reaction to President Clinton's budget victory, writes Patrick Harrington in New York.

At 1 p.m. the Dow Jones Industrial Average was up 22.07 at 3,582.50, beyond its previous record close of 3,567.42. The more broadly based Standard & Poor's 500 was 2.65 higher at 451.35, while the Amex composite was up 2.82 at 439.16, and the Nasdaq composite up 1.54 at 719.02. Trading volume on the NYSE was 140m shares by 1 p.m.

Prices opened firmer, but did not post strong gains until mid-morning when the bond market's latest rally took hold. Bond prices rose sharply, and sent the yield on the benchmark 30-year issue down below 6.5 per cent for the first time ever, as fixed-income investors applauded the Senate's approval last Friday of President Clinton's deficit-reduction package.

The bond rally surprised dealers and investors, who did

not expect much reaction to the Senate vote, because approval of the budget had already been priced into Treasury. The big drop in yields, however, was welcomed by the stock markets, and with computerised program buying adding to the upward momentum, prices raced to new highs just before midday.

Among individual stocks, interest rate-sensitive issues in the financials sector fared well, with brokerage companies leading the way. Salomon climbed 1% to \$44, Merrill Lynch added 1% to \$39, Prisma rose 1% to \$69, Morgan Stanley firmed 1% to \$79, and Bear Stearns put on 1% to \$24.

Banks were also in demand, with JP Morgan up 1% to \$72, Chase Manhattan up 1% to \$44, Banc One up 1% to \$54, Chemical 1% firmer at \$42, BankAmerica up 1% to \$45, and NationsBank up 1% to \$34.

Selected drug stocks weakened following downgrades from the investment bank, Lehman Brothers, Schering-Plough fell 1% to \$80, Johnson & Johnson dropped 1% to \$36, and Bristol-Myers Squibb

gave up 1% to \$31.

Eastman Kodak continued to rally in the wake of last week's ousting of its chairman, Mr. Kay Whitmore, rising another 1% to \$80.

On the Nasdaq market, Sun Microsystems fell 1% to \$23 in volume of 1.3m shares after the National Security Agency suspended a \$300m workstation contract with the company after competitors said that the machine's performance was misrepresented.

Amgen fell 1% to \$32 after Lehman Brothers lowered its investment rating on the stock from "outperform" to "buy".

**Canada**

TORONTO moved higher at midday, led by recovering gold stocks, and the composite index rose 39.9 to 3,999.8 in turnover of C\$253m. Advances led declines by 323 to 219 with 281 stocks unchanged.

The gold sector was 38.17 or 3.78 per cent higher at 3,234.98 in heavy volume by midday.

TVX Gold was 1% higher at C\$67, in volume of 851,000 shares while Lac Minerals added 1% to C\$111 on 934,000 shares traded.

## By William Cochrane

Global equity markets were peppered with big gains last week. In Europe, Germany outstripped France after being left sadly behind seven days before.

In the previous week, the lack of a discount rate cut left Frankfurt down while Paris climbed on the prospect of an effective franc devaluation. However, an unexpected cut in the Buba repo rate followed last Tuesday, and Germany suspended its 1993 gains to an above-average 20.7 per cent.

Voices continue to be raised against this trend. Nikko Securities, a longstanding bear of the Frankfurt market, said that it expected the German economy to be very weak for the next two years. . . . on the "equity market is fundamentally overvalued at over 24 times earnings."

Lehman Brothers said that evidence since the mid-1980s would suggest that French equities are more responsive to easier money than those in

Germany. "In the past 30 years," it said, "there have been four general periods when German equities have been overvalued relative to French equities, and we are in the fourth phase at present."

On the Pacific Rim, New Zealand had another good week, particularly last Thursday after a cut in taxes on foreign portfolio investors. Hong Kong did even better after better than expected results from HSBC's Midland Bank.

Last week's global equity charts illustrate just how heavily the biggest markets, in the US and in Japan, weigh upon the world. There were some big gains in continental Europe, and bigger yet in a number of Asian countries, taking the FT-Actuaries Europe ex UK, and Pacific ex Japan indices to rises of 2.5, and 3.2 per cent respectively in local currency terms, but the World Index managed a gain of only 0.5 per cent.

Unfortunately, Wall Street was subdued again, first in advance of the House of Representatives vote on President Bill Clinton's deficit reduction

package on Thursday night, and then on Friday's late vote to ensure that Mr Clinton's budget bill would pass through Congress. US equities rose by only 0.1 per cent on the week, maintaining a fairly flat trajectory; Japan, on the other hand, registered a 0.3 per cent decline after an ebullient month, and quarter, as investors waited for political haggling to end in Tokyo.

The US, to a degree, was affected by the drop in the gold price after first, bullion hit \$400 and, secondly, the ERM crisis appeared to be resolved. Australia and Canada were also pulled back, but the obvious loser was South Africa which showed falls on the week of 4.2 per cent in local currency terms, and 7.7 per cent in terms of the dollar.

Specialist brokers in London said that big selling of gold from China, through Hong Kong put the first bite on the market, which weakened further on a massive reduction in long gold positions on the Comex market; they added that there was related pressure on the financial rand.

## MARKETS IN PERSPECTIVE

	% change in local currency				% change in US \$	% change in US \$
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Australia	+0.26	+0.88	+26.25	+23.94	+18.35	+17.10
Belgium	+0.87	+2.88	+19.21	+21.16	+12.79	+11.59
Denmark	+2.50	+4.74	+9.96	+26.13	+17.29	+16.05
Finland	+3.59	+8.39	+109.34	+89.53	+85.11	+83.48
France	+3.28	+6.25	+20.94	+18.15	+11.21	+10.03
Germany	+3.72	+3.86	+14.72	+30.73	+18.41	+15.19
Ireland	+3.16	+6.32	+35.80	+41.53	+22.59	+21.28
Italy	+3.56	+6.79	+57.69	+44.29	+39.82	+38.40
Netherlands	+0.23	+1.76	+21.14	+18.21	+14.78	+13.55
Norway	+1.53	+5.24	+29.83	+26.94	+20.82	+19.34
Spain	+0.78	+5.42	+28.05	+27.18	+16.28	+14.17
Sweden	+3.57	+10.66	+44.57	+25.75	+12.97	+11.77
Switzerland	+1.38	+0.95	+31.69	+18.53	+17.00	+15.75
UK	+1.73	+4.70	+26.82	+18.44	+14.44	+13.11
EUROPE	+2.18	+4.57	+26.82	+18.44	+14.44	+13.11
Australia	+0.26	+0.88	+11.14	+14.84	+14.61	+13.40
Hong Kong	+0.31	+3.64	+21.42	+33.37	+34.93	+33.18
Japan	+0.32	+0.02	+37.18	+25.55	+15.58	+14.98
Malaysia	+2.77	+6.26	+53.53	+35.14	+40.06	+38.59
New Zealand	+4.39	+9.73	+24.34	+26.02	+36.33	+34.88
Singapore	+4.48	+4.52	+30.84	+20.76	+24.04	+22.79
Canada	-0.31	-0.28	+7.19	+10.11	+9.56	+8.41
USA	+0.12	+0.02	+7.07	+3.03	+4.13	+3.05
Mexico	+2.14	+5.57	+19.43	+15.86	+10.72	+9.34
South Africa	-4.21	-2.45	+19.52	+28.79	+35.61	+34.17
WORLD INDEX	+0.54	+2.28	+30.07	+19.32	+19.28	+18.05

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## ASIA PACIFIC

## Nikkei advances as new cabinet takes up office

## Tokyo

SHARE prices firmed as the new cabinet of Mr Morihiro Hosokawa was appointed, writes Emiko Terazono in Tokyo.

The Nikkei average rose 135.11 to 20,493.05 as a rise in the futures market prompted arbitrage-related buying. It opened at the day's low of 20,399.83 and rose to a high of 20,553.06 during the morning session.

Volume remained flat at 190m shares against 191m. Investment trusts supported prices, while foreign investors were also seen small-lot buying.

Advances led declines by 552 to 378, with 214 issues remaining unchanged. The Topix index of all first section stocks rose 4.42 to 1,659.01. In London, the ISE/Nikkei 50 index fell 0.07 to 1,262.88.

Hopes grew of a discount rate cut to bolster the economy. Market participants interpreted comments by Mr Hirohisa Fujii, the new finance minister, denying the possibility of a government bond issue to cover a revenue shortage, as an indication that the new government will try to stimulate the economy through monetary measures.

High-technology issues were higher on hopes that the new government will allocate public spending to telecommunications infrastructure projects and computers for education.

Sharp, the most active issue of the day, rose Y10 to Y1,400 and Matsushita Electric Industrial gained Y30 to Y1,380. Nippon Telegraph and Telephone advanced Y1,000 to Y3,927.00.

Reports that Fuji Oil, a palm oil manufacturer, had discovered a substitute for natural oil, encouraged investors, pushing the issue up Y46 to Y1,040. Takasago International,

an aromatic chemical maker which supplies fragrances for Japan Tobacco, the state owned tobacco company, rose on JT's listing early next year. However, it later fell on profit-taking, closing down Y15 to Y880.

Higher property sales and hopes of lower interest rates supported real estate companies.

**Japan**

Nikkei Average (000)



Source: FT Graphics

and the All Ordinaries index rose 2.1 to 1,844.13 in turnover of A\$345.5m.

News Corp was a star performer, rising 23 cents to a record Australian \$8.88 in the wake of strong demand in New York on Friday. Foodland rose 20 cents to A\$8.90 after a day's high of A\$9 on news of a possible merger.

Heavy fallers included the building and sugar products group, CSR, which tumbled 31 cents to A\$4.19 after sinking to A\$4.01. A US court awarded US\$2m against the company last week for distributing products containing asbestos.

TAIWAN closed higher, but profit-taking as the weighted index edged above 4,100 pulled prices off their peak. The index ended 66.09 ahead at 4,092.73, after a peak of 4,109.10, as turnover climbed to T\$20.3bn.

Buying was fuelled by news the Bank of Taiwan cut its prime lending rate to 7.875 per cent.

**HONG KONG** was unable to sustain strong early gains which took the Hang Seng index 101 points higher and profit-taking left the index 14.55 lower at 7,382.22 as turnover shrank to HK\$4.1bn.

MANILA was sharply lower at the start of an anticipated consolidation and the composite index dropped 28.18 to 1,715.79.

PLDT dropped 10 pesos to 1,068 pesos but the newly-listed J.G. Summit Holdings closed at 6 pesos after an opening high of 6.50 pesos which compared with its offer price of 4.40 pesos.

SEOUL was lower for the third consecutive session in lethargic trade which saw the composite shed 7.29 at 709.59.

BANGKOK gave way to what was seen as overdue profit-taking after the rally of the previous night sessions and the SET index dipped 6.07 to 952.77 in heavy turnover of B\$9.8bn.

**ROUNDUP**

Profit-taking was a feature in a number of Pacific Rim markets. Singapore and Bombay were closed for public holidays.

NEW ZEALAND closed at its highest level since July 1990, powered by an 8 cent gain in Telecom to NZ\$4.10.

The NZSE-40 capital index rose 7.64 to 1,903.84, in turnover of NZ\$40.1m, high for a Monday but about half last week's daily average.

AUSTRALIA edged higher as gold bullion prices picked up

## EUROPE

## Movement in sectors as bourses consolidate

SECTOR selection, consolidation and profit-taking after last week's gains were among yesterday's themes, writes Our Markets Staff.

FRANKFURT saw some 260m shares traded, ahead of today's half-year results from Dresdner, but the DAX index closed only 3.92 higher at 1,872.30. Turnover fell from DM\$5bn to DM\$4.5bn. Dresdner rose DM5 to DM419.50 on expectations of a 10 to 12 per cent rise in first-half operating profits after risk provisions, and Deutsche Bank closed DM8.90 higher at DM781.90.

There was a sceptical response to Friday's Volkswagen prediction of a profit in 1993, the shares fell 1.50 to DM\$2.50. Mr Eckhard Fink of Merck Finck in Düsseldorf noted that VW was the worst performing DAX constituent in July, with a fall of 4 per cent, but still the best performer for the first seven months of 1993 with a 4.7 per cent gain.

DOBLIN put on an afternoon spurt as investors bought into Allied Irish Banks, Bank of Ireland and Irish Life ahead of AIB's half year results today.

The ISEQ overall index rose 27.40, or 1.6 per cent to 1,719.04. Financials were 1.8 per cent ahead with AIB 7p higher at 292p and Sol up 6p at 261p.

AMSTERDAM continued to attract solid foreign demand and the CBS Tendency general index rose 0.50 to 123.90.

Among cyclical, Hoogovens rose F12.00 to F148.20 after touching a 1993 intraday high of F149.30. The shares have doubled since January on hopes for a profit recovery from 1995, and added 27 per cent in the last month alone, aided by covering of short positions of more than 1.3m shares.

BRUSSELS edged ahead with

## FT-SE Actuaries Share Indices

August 9		THE EUROPEAN SERIES									
Hourly changes		Open	10.30	11.00	12.00	13.00	14.00	15.00	Close		
FT-SE Eurotrack 100	1295.70	1270.75	1272.13	1272.33	1271.88	1270.59	1269.85	1269.95	1269.95	1269.95	1269.95
FT-SE Eurotrack 200	1350.09	1322.04	1322.03	1322.72	1322.72	1322.43	1321.38	1321.38	1321.38	1321.38	1321.38

August 6		August 5		August 4		August 3		August 2	
FT-SE Eurotrack 100	1272.34	1268.58	1268.09	1267.40	1267.40	1267.40	1267.40	1267.40	1267.40
FT-SE Eurotrack 200	1348.44	1340.80	1339.61	1341.55	1341.55	1341.55	1341.55	1341.55	1341.55

See also 1000 (2000) 1000 - 1272.33; 200 - 1348.44; 100 - 1267.40; 200 - 1341.55.

the Bel-20 index 0.45 higher at 1,343.14 in low turnover of BFL0.02bn.

Steel stocks, increasingly viewed as a good recovery play, were again in demand. Cockerill Sambre reached BFL139 before profit-taking left it just BFL1 higher at BFL134 in heavy volume of 622,000 shares. Arbed, the Luxembourg steel group, rose BFL140 or 3.4 per cent to BFL1,275.

MILAN put in a strong performance in heavy volume, with the market again led by the strength of the telecommunications sector. The Comit

FFR3.15bn.

Cyclical stocks, including Michelin rising FFR3.30 to FFR191.40 and Peugeot by FFR7 to FFR687. The building materials supplier, Lafarge-Coppée, also bucked the market trend with a gain of FFR11.50 to FFR456 and FFR2 to FFR.

Alcatel fell FFR6 to FFR690 after a 3.7 per cent fall in first half sales at Alcatel Cable.

ZURICH ran into profit-taking in banks, insurers and recently strong cyclical shares and the SMI index shed 3.0 to 2,420.5.

The major banks, which have risen strongly in recent weeks, encountered selling from investors wanting to take profits ahead of half-year results which start with UBS on Thursday. UBS bearers fell SF14 to SF1,210.

Nestlé, the most active share, rose SF13 to SF1,031, reversing its decline of last week. Swissair picked up SF13 to finish at SFr 726 on bargain hunting after Friday's larger

than expected first half loss.

OSLO climbed to a 1993 high with the all share index up 3.37 at 549.87 in hefty turnover of NKR618m, with the interest rate outlook continuing to fuel the market.

HELSINKI was sharply higher on low money market rates and the HEX index added 37.4 or 2.8 per cent to 1,399.7.

VIENNA broke up through 1,000 on the ATX index to set a new 14-month closing high of 1,005.3, up 15.83 or 1.6 per cent. But with ATX futures leading the market up, some dealers said that the tail was wagging the dog.

TEL AVIV rose in moderate volume, the blue chip index ending 2.07 higher at 198.52 in turnover of Shk185m.

ATHENS climbed on hopes that a bill for the partial privatisation of OTE, the Greek telecommunications company, would be passed in parliament this week. The general index closed 25.30, or 2.8 per cent higher at 916.25.

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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY AUGUST 6 1993										THURSDAY AUGUST 5 1993										DOLLAR INDEX									
	Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross US \$ Bn	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross US \$ Bn	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	1993 High	1993 Low	Year ago	Year ago	Year ago	Year ago	Year ago	Year ago
Australia (55)		141.88	-1.9	140.42	93.72	125.22	138.72	-0.9	3.62	144.83	143.32	95.31	129.07	139.97	144.83	117.39	138.31													
Austria (17)		164.13	+0.5	162.14	106.42	144.88	145.49	+0.0	1.25	163.24	162.32	107.57	145.57	145.57	164.13	131.16	145.58													
Belgium (42)		148.67	+1.7	147.14	86.20	131.21	132.35	+1.3	4.32	148.14	145.31	92.30	130.41	130.64	148.67	131.19	147.89													
Canada (105)		125.36	+0.3	124.07	82.80	110.62	117.23	+0.4	2.87	125.03	124.32	82.39	111.57	116.79	130.38	111.41	128.09													
Denmark (24)		215.99	+0.3	213.77	142.89	190.62	200.35	+0.9	1.13	215.26	214.05	141.26	182.10	189.50	225.84	185.11	234.20													
Finland (23)		108.84	+1.1	107.74	70.57	94.29	121.54	+0.8	1.05	105.85	105.05	69.82	94.28	128.49	106.84	65.50	71.14													
France (87)		161.94	+1.9	160.27	105.95	142.50	150.70	+1.5	3.06	158.87	157.97	104.68	141.76	148.40	161.73	142.72	158.22													
Germany (60)		119.84	+0.8	118.80	79.17	105.37	105.70	+0.5	2.00	119.78	117.25	72.77	106.23	105.23	119.84	101.59	120.44													
Greece (55)		226.13	+1.4	223.13	140.25	190.62	200.35	+0.9	1.13	225.26	224.05	141.26	182.10	189.50	225.84	185.11	234.20													
Ireland (14)		164.69	+0.7	163.00	108.79	145.35	166.95	+0.2	3.30	165.81	164.87	109.28	147.16	166.84	170.40	129.28	156.35													
Italy (70)		72.35	+1.2	71.90	47.59	64.11	67.12	+1.0	1.86	71.82	71.41	47.32	64.08	66.25	72.62	53.78	67.61													
Japan (17)		162.05	+0.7	161.25	104.05	145.35	166.95	+0.2	3.30	165.81	164.87	109.28	147.16	166.84	170.40	129.28	156.35													
Mexico (19)		262.25	+0.6	258.82	130.24	191.77	356.93	+0.5	1.82	264.56	262.49	130.24	325.31	357.88	264.53	251.96	260.63													
Netherlands (24)		1642.27	+0.0	1625.39	1082.62	1449.35	2586.72	+0.1	0.88	1641.59	1638.35	1081.78	1449.36	2582.81	1725.91	1410.30	1396.51													
New Zealand (13)		182.05	+1.2	181.25	101.58	125.50	128.50	+0.9	1.89	182.05	180.83	101.58	125.50	128.50	182.05	130.72	130.72													
Norway (24)		57.85	+0.1	57.26	32.82	51.06	55.84	+0.3	3.99	57.81	57.46	32.86	51.06	55.84	57.85	40.56	45.45													
Norway (22)		164.35	+0.9	162.66	106.56	145.05	161.38	+1.4	1.81	161.00	159.09	106.10	143.68	161.38	164.35	134.72	142.38													
Portugal (17)		164.35	+0.9	162.66	106.56	145.05	161.38	+1.4	1.81	161.00	159.09	106.10	143.68	161.38	164.35	134.72	142.38													
South Africa (50)		198.70	+2.1	198.66	131.25	175.36	202.39	+1.5	2.53	204.61	203.46	134.83	192.59	205.50	198.70	144.71	211.57													
Spain (43)		121.47	+0.4	122.02	80.24	107.20	128.69	+0.4	4.54	121.04	120.35	79.78	108.01	128.14	132.82	115.23	140.32													
Sweden (17)		182.05	+0.7	181.25	101.58	125.50	128.50	+0.9	1.89	182.05	180.83	101.58	125.50	128.50	182.05	130.72	130.72													
Switzerland (40)		130.61	+0.7	129.47	86.61	115.45	121.69	+0.7	1.78	129.92	129.18	86.61	115.45	121.75	130.61	108.91	112.90													
United Kingdom (218)		181.51	+1.4	179.63	119.89	160.18	178.05	+1.0	3.89	178.95	177.94	117.91	139.68	178.05	181.51	162.00	179.66													
USA (250)		182.50	+0.1	181.25	101.58	125.50	128.50	+0.9	1.89	182.05	180.83	101.58	125.50	128.50	182.05	130.72	130.72													
Europe (320)		150.48	+1.4	148.93	99.40	132.81	144.54	+0.8	3.02	148.44	147.60	97.82	132.47	143.39	150.48	133.92	142.99													
Europe (320)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
France (87)		161.07	+0.7	159.41	106.40	140.15	110.94	+0.4	1.06	162.17	161.25	106.67	144.72	171.41	161.07	105.89	96.95													
Europe-Pacific (144)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
Europe-Pacific (144)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
Europe-Euro (178)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
Europe-Euro (178)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
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Europe-Euro (178)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
Europe-Euro (178)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
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Europe-Euro (178)		173.27	+1.2	171.48	114.45	152.91	173.72	+0.7	1.38	171.16	170.19	112.79	152.74	178.41	173.27	142.73	174.69													
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